

# FINANCIAL TIMES



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World Business Newspaper <http://www.ft.com>

THURSDAY NOVEMBER 14 1996

## France disposes of Elf Aquitaine stake for \$2bn

The French state yesterday sold the bulk of its remaining 8.85 per cent stake in the country's oil, chemicals and drugs group, Elf Aquitaine, for more than FF10bn (\$2bn). About half the shares were placed in the market with institutional investors in France and overseas, while a 4.5 per cent interest was acquired by a subsidiary of the company itself. Elf chairman Philippe Jaffré said the acquisition removed "the uncertainty surrounding the French state's interest in the company which has weighed down the share price". Page 17

**US to join Zaire mission:** The US is to join a multinational force to intervene in Zaire, where more than 1m refugees have been cut off from all aid by the conflict between Zairean troops and Tutsi rebels. Page 6

**French carmakers plan job cuts:** France's two main carmakers, Peugeot Citroën and Renault, are talking to the government about cutting thousands of jobs and reducing the average age of staff through early retirement and other measures. Page 16; Car sales leap, Page 3

**Westinghouse eyes cable TV business:** Westinghouse Electric, which announced plans to spin off its remaining industrial businesses to leave it a pure media group, said it was seeking to become a force in the US cable television business. Page 17; Lex, Page 16

**US-EU telecoms talks:** In an agreed move, the US and the European Union tabled improved offers in World Trade Organisation talks on liberalising telecoms services. Page 7

**Algerians slaughtered:** A gang of up to 25 men killed 12 Algerians, including women and children, in a raid on a village south of Algiers. The killings occurred near the scene a week ago of one of the most bloody attacks on a village attributed to Moslem fundamentalists.

**US election funding inquiry rejected:** The US Justice Department rejected a request to appoint a special prosecutor to investigate Democratic party fundraising, after allegations that the Clinton administration dispensed political favours to foreigners in exchange for campaign contributions. Page 5

**15 killed in Peru earthquake:** At least 40 gold miners were trapped underground after a powerful earthquake struck Peru's southern coast, killing 15 people.

**Satchi chief heads for New York:** Marketing services company Conlisk is moving the head of its Satchi & Satchi operation in London, Jennifer Laling, to become chief of Satchi's unit in New York. Page 17

**Motorola, the US semiconductor and telecommunications company, has acquired Toshiba's 49.95 per cent stake in Japan's Motorola Microelectronics. The semiconductor distribution joint venture was established by the two companies in Japan seven years ago. Page 21**

**Yeltsin's heart pain 'gone':** The pain around Boris Yeltsin's heart, which had troubled the Russian president before his quintuple bypass operation on November 5, is now "completely gone", the Kremlin said.

**Athens exchange re-opens:** The Athens stock exchange reopened after a three-day gap but only about 20 of Greece's 85 brokerage companies were permitted to trade while the bourse's watchdog seeks to clean up trading practices. Page 4

**BASF, the German chemicals group, reported a 9 per cent rise in pre-tax profits for the first nine months to DM3.37bn (\$2.24bn). Page 19**

**S Korean minister quits over scandal:** South Korea's health minister Lee Sung-ho resigned because of his wife's involvement in a bribery scandal. Page 8

**Degas sculpture fetches record price:** A bronze cast by Edgar Degas, "Petite Danseuse de Quatorze Ans", sold for \$11.8m at Sotheby's in New York, a record price for a Degas sculpture at auction. Page 5

**Mobile phones study launched:** The world's widest investigation into the possible harmful effects of mobile phones has begun in Norway and Sweden. About 17,000 will take part in the study after some users complained of headaches, dizziness, drowsiness and nausea. Observer, Page 17

**FT.com:** the FT web site provides online news, comment and analysis at <http://www.ft.com>

### STOCK MARKET INDICES

Index	Value	% Change
New York S&P 500	8,280.45	(-5.58)
Dow Jones Ind. Av.	1,260.67	(-4.14)
NASDAQ Composite	2,217.19	(-11.54)
Europe and Far East	2,772.43	(-38.13)
DAX	3,028.9	(-7.4)
FTSE 100	2,578.44	(-226.98)

### US LUNDRINE RATES

Rate	Value
Federal Funds	5 1/4%
3-month Treasury Bill	4 1/8%
Long Bond	100%
Yield	5.472%

### OTHER RATES

Rate	Value
UK 3-month Interbank	5 1/4%
UK 10 yr Gilt	9 1/8%
France 10 yr OAT	104.62
Germany 10 yr Bund	102.69
Japan 10 yr JGB	102.592

### NORTH SEA OIL (Average)

Oil Type	Price
Brent Dated	\$22.675
WTI	\$22.775

### GOLD

Commodity	Price
New York Comex	339.4
London	338.85

### DOLLAR

Exchange Rate	Value
New York Exchange	1.9393
DM	1.9395
FF	6.5670
SFR	1.268
Y	111.285

### STERLING

Exchange Rate	Value
DM	2.4610
FF	11.667
SFR	5.0717
Y	111.62

### COMMODITIES

Commodity	Price
Aluminum	1,075
Steel	1,075
Sulfur	1,075
Iron Ore	1,075
Coal	1,075
Oil	1,075
Gas	1,075
Wheat	1,075
Corn	1,075
Soybeans	1,075
Cocoa	1,075
Sugar	1,075
Coffee	1,075
Tea	1,075
Spices	1,075
Metals	1,075
Textiles	1,075
Leather	1,075
Timber	1,075
Grains	1,075
Stocks	1,075
Bonds	1,075
Options	1,075
Derivatives	1,075
Commodities	1,075
Energy	1,075
Metals	1,075
Textiles	1,075
Leather	1,075
Timber	1,075
Grains	1,075
Stocks	1,075
Bonds	1,075
Options	1,075
Derivatives	1,075

# Hidden copper cache suspected

## Rotterdam stockpile could be up to 500,000 tonnes

By Kenneth Gooding in London

Evidence has emerged of a large copper stockpile "somewhere in Rotterdam", which is not reported in official stock figures.

According to a study of copper flows to and from the Netherlands, carried out in 1990-95 by the World Bureau of Metal Statistics, the stockpile may be as much as 500,000 tonnes. This is equivalent to 4 per cent of annual copper consumption and four times the level of London Metal Exchange stocks.

There was speculation in the market yesterday that the stock might have been built up by Mr Yasuo Hamanaka, the copper trader that Sumitomo claims cost it \$2.5bn by unau-

thorised trading. Mr Hamanaka was known to keep a very close watch on physical movements of copper.

Some analysts said that the stock might be stolen Russian material. The stockpile could help explain why copper's price on the LME has remained stable - in spite of the fact that exchange stocks have fallen 60 per cent to a six-year low since September. "Those big players in the copper market who count the books in and out of Rotterdam obviously know what the true stock position is," said one analyst.

The world bureau is a UK-based organisation on which metals analysts depend for raw statistics. Its study provides the first hard evidence to support speculation that there are substantial hidden stocks of copper in Europe.

The bureau is cautious about the size of the stockpile. Mr Lloyd Davis, its general manager, said it could be "that we are starting into another statistical black hole, of a type which we have become increasingly familiar" since European Union countries stopped producing individual trade figures. Nevertheless, "we believe that this analysis points to potentially significant stocks of refined copper in the Netherlands not previously reported by the bureau".

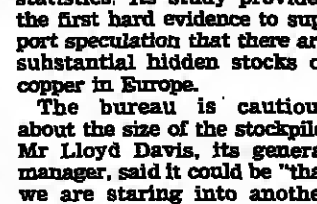
Mr Peter Hollands, of the copper consultancy Bloomsbury Minerals Economics, suggested statistical error probably accounted for some of the 500,000 tonnes. This was too much physical copper to be "hidden" because the metal had to be carefully stored in warehouses; it could not be left outside. Nevertheless, it was reasonable to assume that up to 200,000 tonnes of "hidden" stock exists in Europe.

"It makes no commercial sense for a stockpile to be built up late in one bear market, then held throughout a whole bull market and still not disposed of at the start of the present bear market. No sense in terms of legitimate business, anyway," he said.

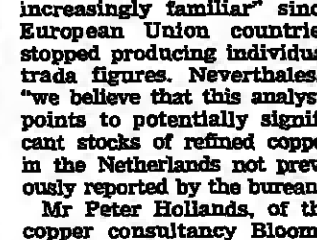
"But the 1990s are turning out to be a decade of rogue traders. There have also been periods of particularly chaotic trading conditions in the former Soviet Union; so perhaps it does make sense."

The bureau is asking its members and other market participants for comments. "However, the bureau is confident its research has uncovered the mysterious origin of copper taken into the Chinese strategic reserve in 1993. It seems to confirm the suspicion that China was the destination of a large volume of refined copper leaving the Netherlands in 1988, "despite there being no overall change in LME stocks in Rotterdam over the year".

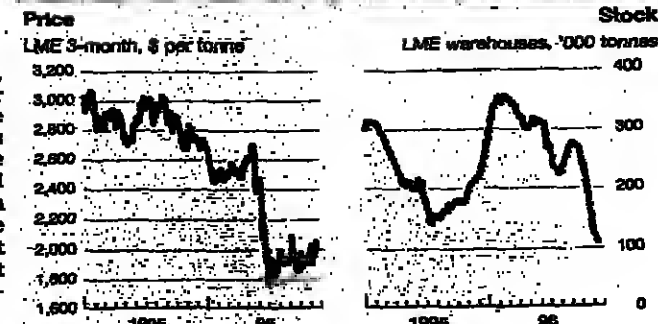
Price



Stock



### Copper prices defy stock figures



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## Air traffic controllers put blame on Kazakh flight crew

Language error 'was cause of Indian air disaster'

By Mark Nicholson in New Delhi

The likeliest cause of Tuesday's mid-air collision between two aircraft near Delhi was a misunderstanding by one of the flight crews of English air traffic control orders, Indian officials suggested yesterday.

There are no survivors of the disaster - the world's worst mid-air crash - in which 351 people are believed to have died. It involved a Boeing 747 and a Kazakh Ilyushin IL-76.

Indian air traffic controllers and airport officials said misunderstandings of English, the international language of air traffic control, by crews from Kazakh and other airlines from some former Soviet Union countries, had contributed to several near misses in Delhi airspace in recent years.

One controller on duty when the crash happened said: "Generally these people have problems understanding English."

The officials said they had repeatedly complained about the problem to India's airports authority and civil aviation ministry, identifying airlines from the former Soviet states of Kazakhstan, Uzbekistan and Kirgistan as the chief culprits.

"We have been making complaints about this time and again, and nothing has been done," said one.

In Kazakhstan, a senior official at Air Kazakhstan admitted that the poor language skills of many of Kazakh pilots had caused problems. Few flew abroad when the Soviet Union existed, as most interna-



Firemen spray wreckage of the Saudi 747 near the town of Churkhi Dabri, India, yesterday

tional flights departed from Moscow.

Indian officials also said near-misses outside Delhi had been caused by aircraft from former Soviet countries - now in the Commonwealth of Independent States - calibrating their altimeters in metric rather than the more widely-used imperial measure.

"We give them the height in feet and they convert this to metres; this has caused problems," one said.

The Kazakh Ilyushin IL-76

collided with the Saudi 747 some 25 miles from Delhi after air traffic controllers at the Indira Gandhi International airport ordered the departing

national flights departed from Moscow.

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The Kazakh Ilyushin IL-76

## Strong backing for French and US heart drug

By Daniel Green in New Orleans

A study of 19,000 patients, one of the largest organised for a new medicine, has produced positive findings for a heart drug due to be launched in 1996 by Bristol-Myers Squibb of the US and France's Sanofi.

The independent US study showed that victims of a heart attack or stroke who took the drug, clopidogrel, had their risk of a second attack cut by about 34 per cent. This compares with 25 per cent for those who took aspirin, the current standard treatment.

The trial results were announced yesterday during the American Heart Association meeting in New Orleans.

More than 100,000 second heart attacks or strokes could be prevented each year in the US alone if all patients at risk took clopidogrel, the study suggests.

Heart disease drugs are the pharmaceuticals industry's biggest sellers, with sales of

\$12.4bn in the world's top 10 markets in the first six months of this year. The launch of the drug depends on regulatory approval.

Bristol-Myers Squibb and Sanofi said the price had yet been set for it. However, a Sanofi executive said it was likely to be many times the price of aspirin, which costs only a few cents a day.

"The only thing that would hold me back from prescribing this drug is its cost," said Professor Donald Easton of Brown University.

The two companies paid for the trial, which was conducted by independent doctors and scientists. The results were good enough for them to decide to submit the drug to regulators in Europe and the US in the first half of next year. The regulators are likely to take about a year to consider their verdicts.

Sanofi shares were tempo-

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NEWS: EUROPE

# Commission rejects cut in tobacco aid

Hopes for drive against smoking lose out to plea for continued subsidy to small farmers

By Caroline Southey in Brussels

The embarrassing contradiction between two key EU policies - subsidising farmers to grow tobacco while funding anti-smoking campaigns - yesterday sparked a row between European commissioners.

Most commissioners rejected calls from Mr Padraig Flynn, commissioner for social policy, for a cut in aid to tobacco farmers. Mr Flynn had hoped to win

clear backing for an end to tobacco subsidies before he launched a fresh drive against smoking at the end of the month.

The EU spends Ecu15m (\$19m) a year on anti-smoking measures, mainly on campaigns highlighting the health dangers. Last year it paid Ecu11m to tobacco production subsidies.

The EU's 135,000 tobacco growers produced 333,000 tonnes of tobacco in 1994, 5 per cent of world production. Eight EU countries pro-

duce tobacco - Italy accounted for 40 per cent last year, Greece 38 per cent, Spain 13 per cent and France 8 per cent.

Mr Flynn told his fellow commissioners EU critics pointed to the "huge mismatch in resources between the two objectives as evidence that the interests of tobacco producers take priority over public health considerations". The "alleged contradictions" were a "safe, reliable and newsworthy means of attacking its

policies in other areas". Mr Flynn said that the subsidy was five times the market value of the crop.

But most commissioners backed Mr Franz Fischler, European commissioner for agriculture, who argued there was no link between subsidising growers and reducing consumption.

He said cutting EU production would simply lead to an increase in imports. Mr Fischler warned cutting the aid would drive small farmers off the land and cre-

ate unemployment. The subsidies support 135,000 producers and 170,000 full-time labourers.

"Tobacco is a major source of employment, particularly in Greece. Without tobacco, practically all the farms that grow the crop would no longer be viable," said a report prepared by the Commission's farm experts and presented to yesterday's meeting.

Mr Fischler rejected Mr Flynn's proposal that producers should switch to

alternative crops, pointing out that the average tobacco farm was 1.1 hectare and that no other product would provide a reasonable income on that size farm.

The European Commission yesterday launched an Ecu50m joint research programme into the transmission of "mad cow" disease to humans, including research into tests for and treatment of the disease, and the risk of so-called spongiform encephalopathies crossing species barriers.

EUROPEAN NEWS DIGEST

## Nordic drink limits targeted

The European Commission proposed yesterday that Denmark, Finland and Sweden phase out by June 30, 2002 their restrictions on alcohol and tobacco products that travellers can bring home from abroad.

"I am ready to take account of the difficulties of the Nordic countries by giving them a transition period to adopt their social and health protection policies," said Mr Mario Monti, internal market commissioner. However, the quotas had to end because they violated a fundamental principle of the single market - the right of citizens to carry goods for their personal use freely across borders within the EU. The Commission also wants the three countries to reduce immediately the minimum period that travellers must be away to qualify for tax exemptions on alcohol and tobacco.

The Nordic states have traditionally applied high taxes on alcohol and tobacco to discourage consumption and raise revenue. Sweden is refusing to accept any deadline for ending the restrictions and is threatening to take the Commission to the European Court. The final decision will be made by EU ministers.

Reuter, Brussels

## Russian taxes flood in

The Russian government's crackdown on tax evaders last month produced a sharp increase in tax collection, officials said yesterday. According to Mr Peter Mostovoy, head of the Federal Bankruptcy Commission, which has played a central role in the tax drive, the government collected more than 100 per cent of planned tax revenues. In September, the figure was less than half.

The Kremlin has threatened to force into bankruptcy enterprises which do not pay their taxes. Last month, the government targeted four companies in high-profile test cases. Three of them, and a large steel mill added later to the list, now face formal bankruptcy proceedings.

Mr Mostovoy yesterday unveiled a list of 16 more companies which have been warned formally. None of Russia's widely traded, blue chip companies appears on the list, which is dominated by regional energy, metal and metallurgical enterprises.

Christina Freeland, Moscow

## Challenge to Bulgarian PM

Mr George Pirinski, Bulgaria's US-born foreign minister, yesterday resigned from the Socialist government and established himself as main challenger to Mr Zhan Videnov, the prime minister, who narrowly won a party confidence vote on Tuesday.

Mr Pirinski, widely regarded as the protégé of Mr Andrei Lukazov, the last Communist-era prime minister, who was assassinated by an unknown gunman two months ago, has now emerged as head of the social democratic faction within the party. He is expected to try to unseat Mr Videnov at the special party congress due to start on December 21.

Mr Videnov, who combines being head of government with leading the party, is accused by opposition parties and reformists in the Socialist party of having resurrected Communist-type party-state structures and of running a secretive, bureaucratic style of government which has failed to tackle a deepening economic and social crisis.

The United Democratic Opposition, whose candidate, Mr Petar Stoyanov, comfortably beat the Socialist nominee in the presidential election on November 3, is calling for early elections.

Anthony Robinson, London

# Turks shrug at new political scandal

By John Barham in Ankara

Turks hold their elected representatives in such low esteem that proof of close links between the police, organised crime and the government has caused barely more than a ripple of indignation.

The death in a car crash nearly two weeks ago of a wanted gangster, his girlfriend and a senior police

officer merely confirmed widespread belief that the underworld and the police are sometimes on the best of terms. The crash also severely injured a fourth passenger, a government MP in the True Path party and Kurdish chieftain who is now said to be suffering from amnesia.

A unanimous vote by MPs on Tuesday night to set up a parliamentary investigation into the affair and plans for a censure debate today have aroused little interest outside parliament. Previous corruption investigations, including three started against Mrs Tansu Çiller, foreign minister, deputy prime minister and True Path leader, last spring have petered out without uncovering anything more serious than some unethical technical slips.

The new investigation into "mafia, state and police relations" is likely to suffer the same fate, though nobody opposed its formation, not even Mr Mehmet Ağar, the interior minister forced to resign after the accident. One observer said: "Of course True Path supported the investigation. Imagine what people would have thought if they opposed it!"

Over the past three years, the press has raked up scandals implicating Mrs Çiller (who was prime minister from 1993 until the beginning of this year) and her



Çiller and Erbakan: both their parties have been tarnished by the latest claims

husband Ozer in shady real estate dealings, failed banks and suspect privatisations.

None of the allegations has been proved in court, but the mud has stuck. Mrs Çiller and her senior True Path associates are widely considered to have enriched themselves in power.

Turkish media have claimed Mr Ağar, a tough former police chief brought into the party by Mrs Çiller last year, was at a beach resort with the four the weekend before the accident.

Censure debates have also degenerated into a circus, called by the opposition over relatively trivial issues with scant hope of success.

The government easily defeated the last censure motion in October, called by

opposition parties who wanted to attack it for submitting to the public insults hurled at Turkey by Col Muammer Gaddafi, the Libyan leader, during an official visit to Tripoli by Mr Necmettin Erbakan, Turkey's Islamist prime minister.

Today's motion is on a more serious issue, but it has equally little chance of bringing down the government. Mr Erbakan's Refah party and the True Path, its junior coalition partner, have 275 MPs in the 550-member parliament.

The affair has tarnished Refah, which built its strength by attacking the corrupt secular establishment, nearly as much as True Path.

Mr Erbakan took power in

July in a deal with Mrs Çiller that involved calling off corruption probes he had unleashed against her in March.

The Islamists are now writhing with discomfort over Mrs Çiller's latest scandal. Mr Erbakan has said as little as possible about it and did not vote on Tuesday. But the party is highly disciplined and unlikely to scrap the alliance now.

Mrs Çiller, true to form, has gone on the offensive, rounding on her enemies, she is accusing them of being the "pawns" of unnamed powerful monopolistic corporations she claims are trying to destabilise a government committed to human rights, democracy and law and order.

## Counting cost of business in E Europe

Starting up business in Warsaw? Expect a three-month wait for a phone. Expanding into Russia? Moscow's rents are five times higher than London's. Need a bilingual secretary in Belgrade? Be ready to pay six times what you would in Prague.

The newly published DHL Price of Business Index shows that after taking 10 key costs into account for 15 east European capitals, Moscow is almost three times as expensive as London, followed by Tirana, Ljubljana, Budapest and Kiev, Reuter reports.

Chisinau and Bratislava were cheapest, while Skopje, Zagreb, Belgrade, Minsk, Bucarest, Warsaw, Sofia and Prague were in between.

After Moscow, Sofia has the most expensive accommodation for a night in a five star hotel. Zagreb, Bucharest and Bratislava offer the cheapest office space, but if you need a phone line, expect to wait 90 days in Warsaw, but only a week in Kiev.

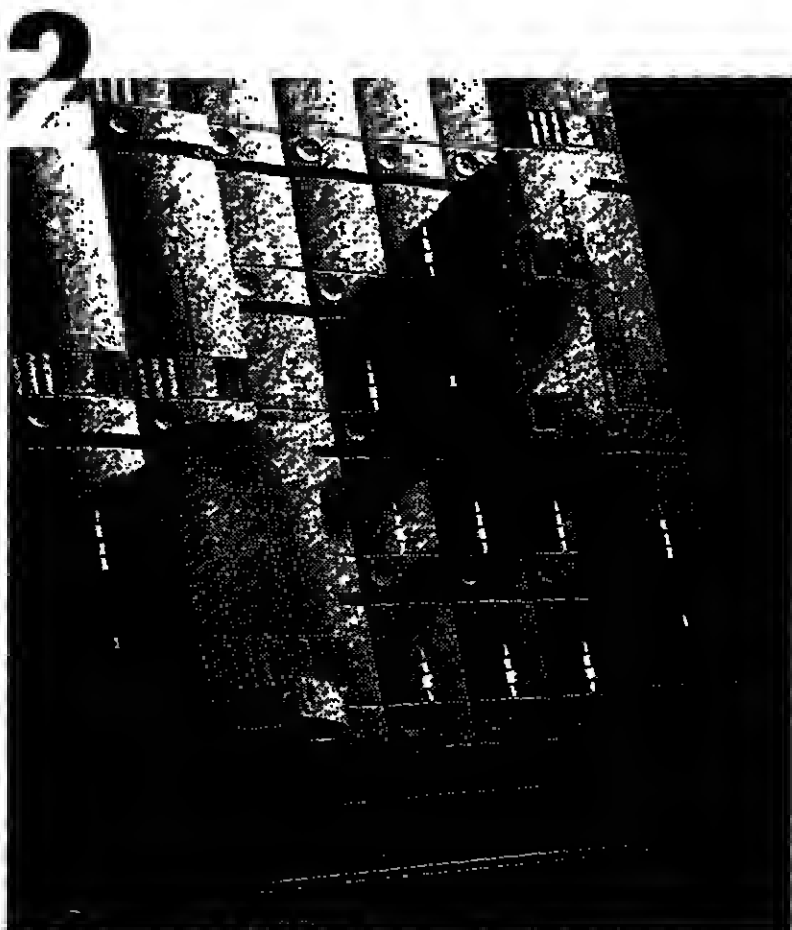
And after a hard day's work it is 10 times cheaper to relax in Albania than in Bulgaria, where a single malt whisky costs \$15, compared with \$1.50 in Tirana.

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# UBS instructs staff on Nazi gold claim

By Norma Cohen in London

Union Bank of Switzerland, the country's largest bank, has sent a memorandum to its non-Swiss employees on how they should respond to public concern over allegations about Swiss banks' links with Nazi Germany.

Among the allegations the bank denies is that it held Hitler's bank accounts.

The memo, sent in mid-October, "should give you the necessary background for discussions with clients, other employees, and your friends and relatives", it says.

Swiss banks have been stunned by international outrage over claims that they knowingly accepted gold robbed from Holocaust victims and that they failed to return bank deposits to the heirs of those murdered by Nazis.

The memo expresses support for recent Swiss government and international inquiries into whether Swiss banks still hold assets which are the rightful property of Nazi victims. It insists that the latest accusations are completely unfounded but adds: "We are not willing to accept the unfounded accusations without a reaction... A large PR campaign is, however, not appropriate. We are aware that the discussions and accusations have a negative impact on our image."

The memo says UBS and other Swiss banks have already conducted exhaustive internal searches for dormant accounts opened by Nazi victims or people acting for them. "It is highly unlikely that any sums owed to victims' heirs will be discovered as a result of new searches."

The memo quotes selectively from a 16-page 1985 document prepared by the archivist for the Swiss National Bank.

UBS in Zurich said the purpose of the memo was to set the debate in its historical context and "to explain to our employees abroad who have no knowledge of Swiss history". The memo "is our view of the historical view of what happened and the view of those who don't necessarily believe what is coming out of various archives".

The document describes an allegation that it held an account for Hitler as "a rumour of a possibility" which it says was dispelled by a US government "investigation".

archival papers show the investigation consisted of repeated requests by the then US consul general in Basle to UBS asking it whether it held the accounts, and repeated firm denials from UBS.

The memo says commercial banks such as UBS "had no connection whatsoever" with gold looted by Nazis from Jews and from central banks in other countries. However, documents recently declassified from US archives on the disposal of 5,861 gold bars with a value of \$70m from the Netherlands to Germany, show the vast majority went to Switzerland.

# Car sales leap in W Europe

New car sales in western Europe leapt by 14.5 per cent year-on-year last month, well above industry expectations, writes John Griffiths. Figures from the European Automobile Manufacturers Association show that only in Greece and Switzerland did sales fall below levels of a year earlier. The biggest increase among the main markets was in France, where sales jumped 24.5 per cent to 202,200 from 162,400 the previous October. Virtually all this increase was accounted for by cars bought under before the end of the sales incentive programme.

Large increases in Italy and Spain were distorted by their very poor sales in the second half of last year. Italian registrations were 23 per cent up year-on-year, at 144,500 units; Spain's were 31.2 per cent higher at 78,300.

Strong performances in the German and UK markets were not the subject of statistical distortions, and the 6.4 per cent rise in German registrations, to 284,500 in October, comes despite a string of gloomy statistics on the state of the economy and of manufacturing. The 13.3 per cent rise in Britain, to 154,700, was attributed by industry executives to revived consumer confidence, reflected in rising house prices, falling unemployment and the strength of new car sales to private customers last month.

Last month's increases have lifted the total western European market for the first 10 months of the year to 7.4 per cent above 1995.

West European new car registrations January-October 1996

	Volume (Units)	Volume Change (%)	Share (%) Jan-Oct 96	Share (%) Jan-Oct 95
<b>TOTAL MARKET</b>	11,116,800	+7.4	100.0	100.0
<b>MANUFACTURERS:</b>				
Volkswagen group	1,996,016	+10.2	17.1	16.7
- Volkswagen	1,238,154	+12.5	11.1	10.5
- Audi	345,848	+7.0	3.1	3.1
- Seat	246,486	+0.5	2.2	2.4
- Skoda	89,748	+25.0	0.8	0.5
General Motors	1,284,872	+3.5	12.5	13.0
- Opel/Vauxhall	1,336,343	+4.0	12.0	12.4
- Saab	47,469	-4.2	0.4	0.5
PSA Peugeot Citroën	1,537,917	+7.5	13.9	12.0
- Peugeot	796,485	+6.6	7.1	7.2
- Citroën	545,332	+8.8	4.9	4.8
Ford group	1,304,277	+4.9	11.7	12.0
- Ford	1,291,789	+5.0	11.5	11.9
- Jaguar	12,488	-8.8	0.1	0.1
Fiat group	1,243,921	+8.9	11.2	11.0
- Fiat	998,201	+12.1	9.0	8.6
- Lancia	140,050	-0.7	1.3	1.4
- Alfa Romeo	103,773	-5.3	0.9	1.1
Renault	1,124,115	+4.7	10.1	10.4
BMW group	884,184	+6.7	8.2	8.2
BMW	363,195	+8.7	3.3	3.2
Roller	320,959	+4.5	2.9	3.0
Mercedes-Benz	400,980	+5.7	3.6	3.3
Volvo	172,207	-8.7	1.5	1.8
Nissan	315,678	-1.0	2.8	3.1
Toyota	287,050	+8.2	2.6	2.6
Honda	189,189	+3.3	1.5	1.5
Mazda	151,826	+5.2	1.4	1.4
Mitsubishi	151,427	+19.5	1.2	1.1
Total Japanese	1,197,782	+7.1	10.8	10.8
Total Korean	212,706	+11.7	1.9	1.5
<b>MARKETS:</b>				
Germany	3,001,800	+6.5	27.0	27.2
France	1,832,200	+4.7	16.7	15.6
United Kingdom	1,512,000	+4.7	13.5	13.7
Italy	1,486,000	+0.6	13.4	14.3
Spain	78,300	+31.2	0.8	0.7

\*1996 includes 70 per cent and manufacturing control of Renault. Includes other imports from US and rest of Western Europe. \*\*Old includes 20 per cent and manufacturing control of Opel/Vauxhall. \*\* Fiat group includes Lancia, Alfa Romeo, Innocenti, Piaggio and Moto. Source: ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

# Arms and aid stack up in Bosnia debate

By Anthony Robinson

Crates of US arms meant to strengthen the army of Bosnia's Croat-Muslim federation are stacked up at the port of Ploce on Croatia's Adriatic coast. At the same time bloody clashes across the border lines between the federation's two entities serve as a reminder that a year after the Dayton agreements brought the warring ethnic groups reluctantly together there is little prospect of refugees returning home.

As governments and aid bodies at international conferences in Paris this week and in London early next month prepare for the second year of rebuilding the region's battered economies, officers of the multinational peace implementation force (Ifor) worry about their ability to hold the line once their mandate expires in six weeks' time and Ifor is replaced by a force probably half its size.

The well-armed and highly mobile Ifor troops, operating in three zones under overall American, British and French control, created the basic security needed to get economic reconstruction under way. But political and economic relations between the ethnically defined enti-

ties remain strained. Mr Carl Bildt, the international high commissioner for Bosnia, warned this week that war could resume "in the blink of an eyelid" if multinational forces were removed.

Recent discussions on aid policy have included a debate over the need for an "economic tear" to co-ordinate the four-year \$5.6bn multinational aid effort and whether Republika Srpska, the Bosnian Serb entity, and the caretaker Moslem government in Sarajevo, should be encouraged by economic aid to work within joint governing institutions, as envisaged in the Dayton accords, or be penalised for dragging their heels.

The first progress report from the International Monetary Fund/World Bank teams in Washington and Sarajevo charged with co-ordinating the international aid effort shows that \$568m of the \$1.6bn pledged for 1996 had been disbursed by September 30, while projects worth \$880m were under way. The Bank has created 12 project task forces with the aim of giving donors, who will be asked to pledge around \$1.4bn next year, clearer channels for concentrating their aid on specific areas.

The Bank is lobbying hard



Bosnia's three co-presidents (pictured yesterday with international mediator Carl Bildt, left, and French foreign minister Hervé de Charette, centre) will adopt in Paris today a two-year agenda to consolidate the Dayton peace plan following the most serious clash in the country since the accords were signed, write Laura Silber in Paris and Bruce Clark in Bonn.

However, French and US officials remained divided yesterday over the prospective agreement. Western diplomats said France wanted Bosnia's leaders to sign an agreement, while the US wanted them to outline an agenda for a series of conferences to take place over the next month to fin-

alise the two-year consolidation plan.

France also backed the creation of a permanent election committee, composed of Bosnia's rival parties. In contrast, the US wanted the Bosnian Serbs to extend the Organisation for Security and Co-operation in Europe mandate in order to have international supervision of controversial municipal elections planned next spring.

The Paris meeting follows intervention by the Nato-led Implementation Force (Ifor) after a Moslem was killed and two Serbs wounded during fighting with mortars and small arms in the disputed village of Gajevi in north-eastern Bosnia.

Officials said a post-Ifor force would

not be discussed in Paris. A question mark remains over the final decision taken by the re-elected US Clinton administration about the depths of its future involvement in Bosnia.

German defence ministry officials say planning for a Franco-German contribution to a peacekeeping force in Bosnia next year is at a very advanced stage. German soldiers will start intensive training on Monday, the day Nato ambassadors in Brussels are due to take a political decision on military options for next year. Germany expects to join France in policing southern Bosnia leaving Britain in charge of the north-west and presumably the US in the north-east.

to retain its co-ordinating role. It argues that achieving complex tasks such as setting up a central bank and a common currency would not be helped by transferring overall control to Mr Bildt or to Mr Richard Sklar, the personal envoy of US President Bill Clinton.

Powerful political conditionality has already been built into the multinational aid programmes. The World Bank's figures show that \$3.6bn has been earmarked for projects in the Croat-Muslim Federation over the next

four years, compared with \$1.4bn for Republika Srpska. Over the first nine months of this year \$433m was disbursed in the Federation while only \$7m was disbursed on projects in the Serb entity.

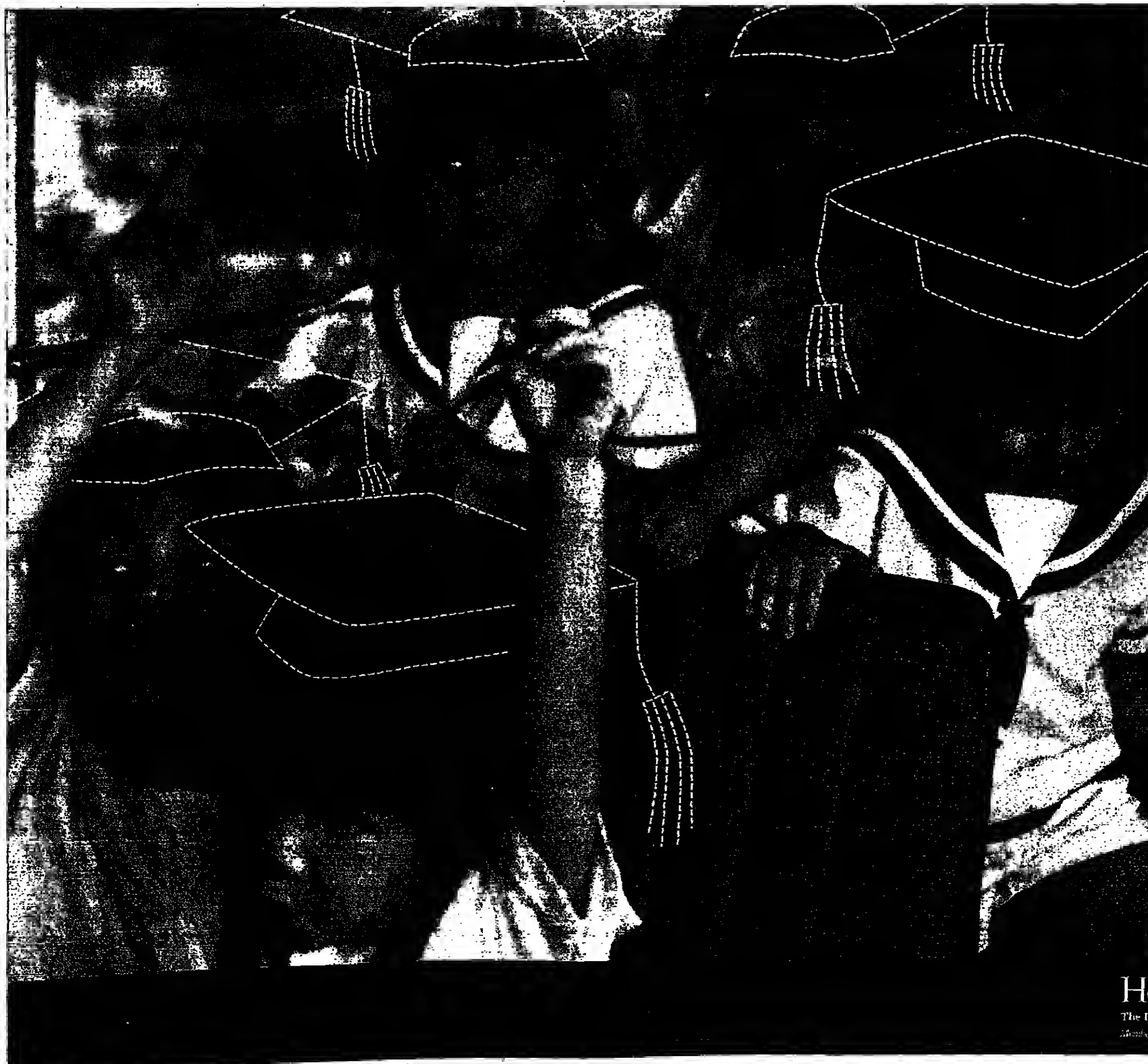
This imbalance is likely to deepen. Projects worth \$723m are under implementation in the Federation while schemes worth only \$11m are under way in Republika Srpska. A further \$148m of projects are designated "inter-entity". The mis-match reflects

both the reluctance of the Bosnian Serbs to accept the international conditions for aid, and the reluctance of many donor countries to pledge aid to Republika Srpska while so many generals and politicians associated with war crimes and determined to pursue a separate identity for Republika Srpska remain in power.

The view of some Ifor officers is that Bosnian Serbs, feeling betrayed and abandoned by Mr Slobodan Milosevic, the Serbian president, have little desire for more

fighting. The Moslems, on the other hand, territorially squeezed by the Serbs and in unloving cohabitation with the Croats, are dissatisfied with the post-war status quo.

On this analysis Washington's plans to upgrade the Croat-Muslim army to create a better balance of power find little support. British commanders find it hard to believe that introducing more weapons into this Balkan cockpit will either make peace more secure or an eventual safe exit more achievable.



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# Lukashenko takes his case to Russia

By Chrystia Freeland in Moscow

Mr Alexander Lukashenko, the Belarusian President, yesterday sought Russian backing for a controversial referendum he is planning to hold in his own country later this month.

If passed, the November 24 vote would give the Belarus leader almost total control over the legislature and superior courts, the only institutions which have spoken out against his increasingly authoritarian reign.

The planned referendum has provoked widespread opposition from

Belarus politicians. But Mr Lukashenko yesterday sought the support of another, more powerful constituency, telling the Russian parliament the referendum was essential to his goal of uniting Belarus with Russia.

"In order to save the policy of the present Belarusian leadership, based on the unification of two Slavic peoples, I am compelled once again to go directly to the Belarusian people [with a referendum]," he said.

As he made his case for swifter unification of the two Slav neighbours, Mr Lukashenko's emotive

evocation of Soviet honour, Orthodox spirituality and the strategic threat still posed by the west drew applause from Russia's Communist and nationalist dominated parliament.

But some liberal parliamentarians walked out, underscoring the political dilemma Mr Lukashenko poses for a Russian administration which values the Belarusian leader's steadfast political support but does not wish to compromise its own democratic credentials.

Mr Grigory Yevlinsky, whose liberal Yabloko faction of MPs led the boycott, issued a statement accus-

ing Mr Lukashenko of using the populist call for integration as a pretext for his efforts "to establish a totalitarian state."

"Using as a cover the extremely popular idea of Russian-Belarusian integration, Alexander Lukashenko is pursuing a different objective - the destruction of democratic institutions and the usurpation of power," said the statement.

The conflict in Belarus threatens to come to a head in less than two weeks, when Mr Lukashenko said he was determined to go ahead with his referendum. This week the republic's chief electoral officer

said the planned poll would have no legal validity.

A confrontation between the Belarusian president and legislature could be a problem for the Kremlin, which might be forced to choose between its most loyal neighbour and the opinions of Russia's liberal intelligentsia.

Sliding with Mr Lukashenko would also risk drawing Moscow into a dispute with the west, especially the US. Mr Lukashenko is proudly anti-western and once threatened to use nuclear missiles to prevent the eastward expansion of the Nato military alliance.

## EUROPEAN NEWS DIGEST

### Trade limited as Athens re-opens

The Athens stock exchange reopened yesterday after a three-day gap, but only about 30 of Greece's 65 brokerage companies were permitted to trade. In an effort to clean up trading practices, the capital markets committee, which acts as the bourse watchdog, has ruled that brokers must settle outstanding trades with the clearing house before they return to the floor.

Analysts said the committee's decision would drive several small stockbroking firms into bankruptcy as they would not be able to meet today's deadline for completing settlement. Four small brokerages are suspected of complicity with brokers Delta Securities in manipulating share prices in family-owned companies listed on the bourse, while several others handled occasional trades.

Delta's failure last week to pay Dr2.8bn (\$11m) owed to the clearing house halted trading on the bourse and triggered calls for a full investigation into illegal trading practices.

Karin Hope, Athens

### Absent Craxi sentenced

The first definitive court sentences have been issued against leading political and business figures involved in the corruption scandals that shook the Italian establishment from 1992 onwards. The sentences, confirmed by the appeals court in Rome, include a 5½-year prison sentence for the former Socialist premier, Mr Bettino Craxi, who has been living in self-imposed exile in Tunisia since July 1994. If Mr Craxi returns - he has been seeking to come back for medical reasons - he will be immediately imprisoned. Yesterday, a new arrest warrant and extradition request was being prepared on top of the four existing ones issued against him.

The sentence concerned L12bn (\$8m) worth of funds illegally paid to the Socialist and Christian Democrat parties to allow a company to be set up by Eni, the state oil group, Ssi, an insurance company owned by building tycoon Mr Salvatore Ligresti, and Salomon Brothers of the US, to extend life cover to Eni's 130,000 employees. Mr Ligresti was sentenced to two years and four months but may yet avoid jail through social service. Mr Severino Citaristi, the former treasurer of the Christian Democrats, who has been involved in over 70 cases of handling illicit funds, was sentenced to the same term as Mr Craxi but may be exempt through age. The first to enter prison yesterday was Mr Sergio Cusani, a financial consultant, who received Libn because he was excluded from the deal to set up the insurance company, which in the end never got off the ground.

Robert Graham, Rome

### Baltics seek EU, Nato entry

The Baltic States' entry into the European Union and Nato is vital to underpin their restored sovereignty and national security, Latvian President Guntis Ulmanis told Mr John Major, the UK prime minister, yesterday. Latvia, Lithuania and Estonia, who ended their forced membership of the Soviet Union in August 1991, cannot be indefinitely excluded from Nato, he said before the meeting. "The idea that Europe is more secure if the Baltics are inside is absurd," he added.

Latvia, a member of Nato's partnership for peace, has contributed troops to the Nato-led force for implementation force in Bosnia, and wants to join the EU and Nato in the first round of enlargement, but without sacrificing its national identity.

Anthony Robinson, London

## German unions meet to thrash out strategy

By Wolfgang Münchau in Dresden

Moderate and hardline German union leaders will clash today as the movement prepares to make one of the most important decisions on strategy for 15 years.

DGB, the umbrella organisation of Germany's trade unions, yesterday started a three-day extraordinary meeting to decide on the leadership's proposals for a controversial overhaul of its 1981 manifesto.

The proposed changes - ditching calls for national ownership of vital sectors of industry in favour of an unequivocal commitment to the social market economy - have opened up deep divisions among the 15 member unions.

The large weight of moderate unions backing the changes, including OTV, the public sector workers, and IG Chemie, the chemical union, is expected to secure a majority for the changes when the 600 delegates vote today and tomorrow.

Mr Klaus Zwickel, president of IG Metall, the engineering workers, has even threatened to walk out of the congress unless it approved the new manifesto.

The opponents include some of the smaller unions,

such as IG Medien, the journalists' union.

Mr Dieter Schulte, president of DGB, said developments over the last 15 years, "such as women's demands for equal rights in the workplace, ecological upheavals, the contradiction between globalisation and national narrow-mindedness can no longer be fully explained by the conflict between labour and capital."

"For that we need much more subtle explanations and an extended notion of a union's role."

The debate highlights the soul-searching inside the German trade union movement at a time when German companies are increasingly investing abroad and are starting to question the consensus-based model of German industrial relations.

The issue has also opened divisions between activists and disillusioned members from eastern Germany.

In the short opening debate after Mr Schulte's keynote address, one delegate backed the goal of making unions more relevant to young people "but I have grave doubts whether we can achieve this with a manifesto. The young are looking for concrete results, they are looking for high-quality training jobs."

## Poll puts Klaus to the test

Victor Boland on the creative tactics of Czech candidates

One candidate in this week's election to the Czech senate is offering voters a chance to win a holiday in the sun. Another is running a lottery for a new car. Yet another has plastered his face on beer-bottle labels in the belief that the way to a voter's heart is through the bar.

Elections bring out the inventiveness in Czech politicians. Aspiring senators need all the marketing whizzes they can dream up for the poll.

It is the second national election this year, and the senate is a new institution: its main role is to scrutinise legislation.

The election is a crucial test for Mr Vaclav Klaus, the prime minister. If his Civic Democratic party (ODS) wins a majority, his faltering reputation will be restored. If it does badly, sceptics who have questioned his leadership will be handed further ammunition.

Mr Klaus has been on the defensive since the general election in June, when he lost his overall majority in the lower house. He now runs a minority government, while Mr Miloš Zeman, leader of the main opposition Social Democrats (CSSD), is chairman of parliament. Their long-standing mutual dislike has led to a sharp deterioration in the quality of political debate.

Mr Klaus has also been



Miloš Zeman (left) and Vaclav Klaus... mutual dislike

undermined within his own government. Members of the two small parties which are partners in his coalition talk candidly in private of drift and indecisiveness. Disagreements on health care and pension reform, tax cuts, the trade deficit and privatisation have broken out.

Most seriously, the prime minister is no longer unassailable within the ODS. The party prides itself on being the only one with a truly national appeal, but Mr Klaus failed in the general election to articulate his party's vision of where the country was headed. That led senior backroom power-brokers, headed by Mr Josef Zelenka, the foreign minister, openly to question the party's future.

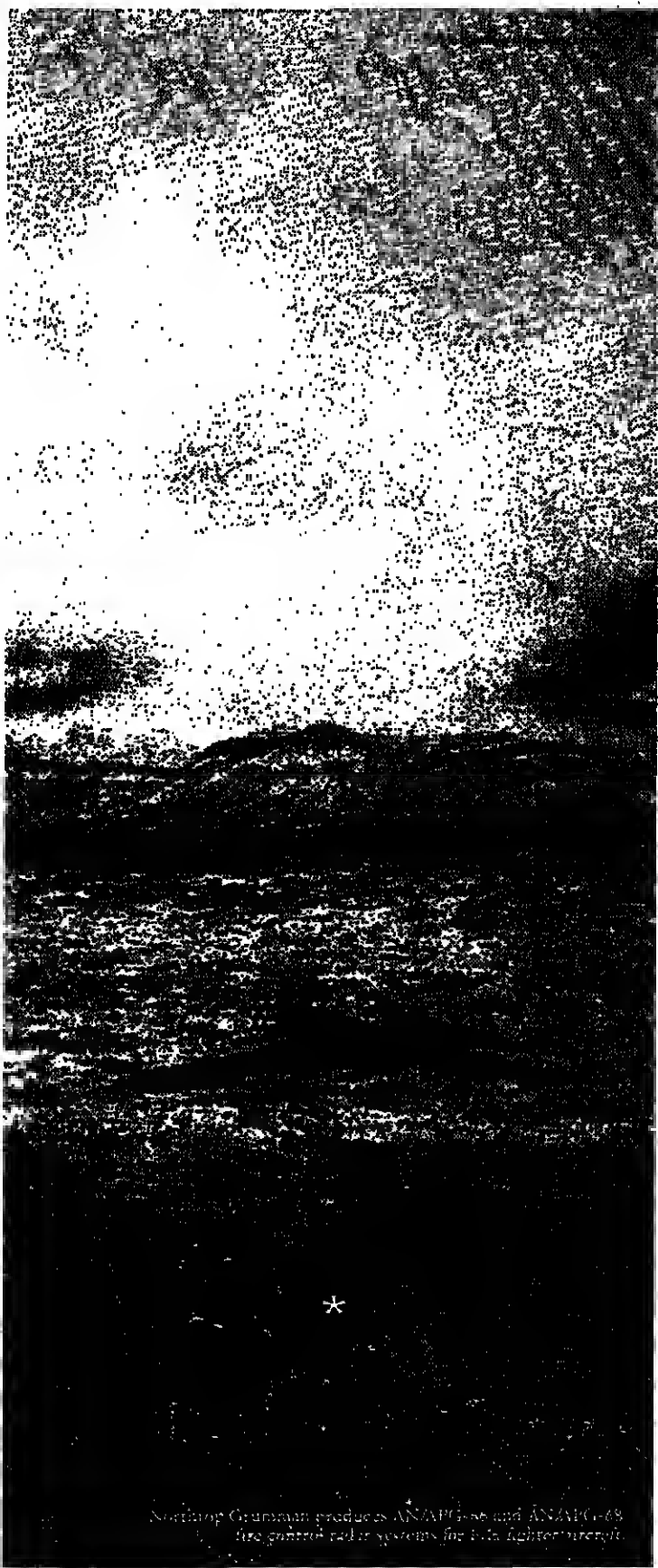
Added to these troubles is

Central Prague was closed to most traffic yesterday because of a smog alert caused by car fumes, heating plant emissions and cold weather, writes Vincent Boland. A traditional feature of Prague's winter, smog has worsened in recent years because of a rise in the number of cars.

measures when it would have been better to abate or support them.

If the ODS wins an overall majority, Mr Klaus would be rejuvenated and "strongly tempted to go for an early general election", believes Mr Jiri Pehe, head of analysis at the Open Media Research Institute think tank. If it does not, he says, the government's position would be untenable and it could resign, forcing the CSSD to try to form a left-leaning government.

The polls are open tomorrow and Saturday morning for the 81-member senate, which will be elected on a first-past-the-post basis - the lower house is elected by proportional representation - with a run-off at the end of next week in constituencies where no candidate wins more than half the vote. ODS and CSSD candidates are likely to top the polls in most constituencies, but much may depend on the second round - if the voters turn out.



### \* Sensor Systems

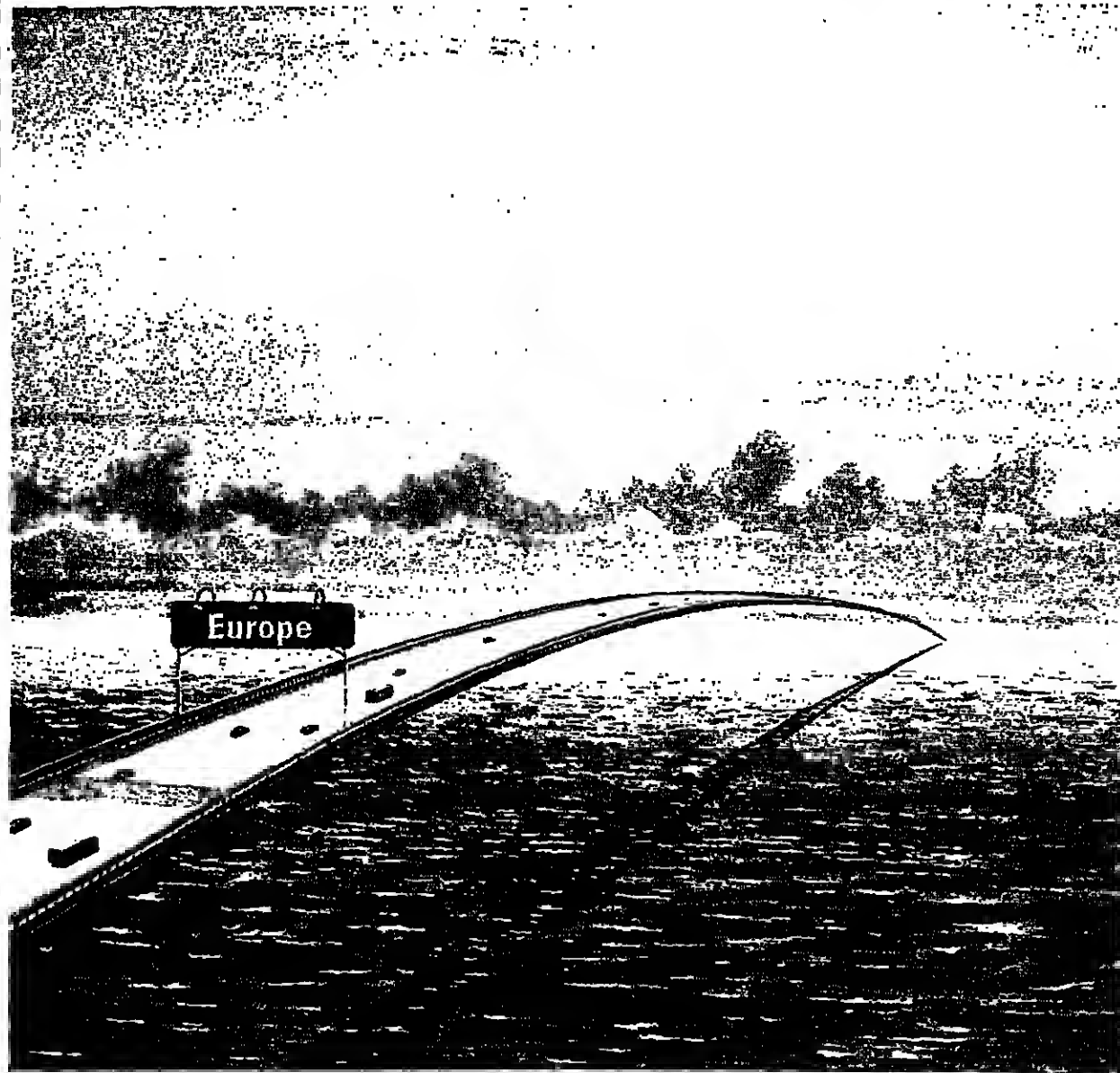
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NEWS: AMERICAS

# Growth chicken or savings egg?

Which comes first? Stephen Fidler on a dilemma for Latin American economists

It has almost become a commonplace to blame Latin America's continuing vulnerability to financial crisis on the lack of national savings. It is the inability to generate savings, the argument goes, that distinguishes east Asian economic success from Latin America's failure to grow.

Now a group of economists from the Inter-American Development Bank in Washington has tried to turn that conventional wisdom on its head. With their conclusions are to be believed, important implications for economic policy.

"Higher growth precedes higher saving, rather than the reverse. It is only after a sustained period of high growth that savings rates increase and may do so with a delay that can be quite significant," the economists conclude in a paper presented last week in Paris. The most powerful determinant of saving over the long run is economic growth.

Policy efforts "should concentrate on removing the impediments to growth rather than trying to establish programmes aimed directly at promoting saving that are likely to be of doubtful effectiveness and may involve economic inefficiencies," they argue.

But they also add that reform policies aimed at raising efficiency and promoting growth may, although temporarily, reduce savings for many years, thereby increasing reliance on volatile flows of inward capital.

It was therefore "important to ensure growth-friendly policies will not be forgone or delayed because of the possibility of a transitory, adverse impact on saving."

National saving in Latin America has averaged less than 20 per cent of gross domestic product over the last decade, compared with more than 30 per cent in six rapidly growing east Asian economies. Chile, with a saving rate of more than 25 per cent, is the only Latin American economy where saving approaches Asian levels. Saving has actually fallen in 13 countries during the 1990s.

By comparing savings and growth rates in Asia and Chile, the economists concluded that higher growth stabilisation plans are likely to reduce savings in the short to medium terms by giving rise to a consumption boom.

Attempts are also being made to increase savings through the implementation of Chilean-style contractual savings schemes. But the paper argues that, though these programmes help deficit, there is no direct effect on national savings.

In Chile, the reform was accompanied by a large fiscal adjustment - of some 3 per cent of GDP - to pay for existing pensioners. Reforms in other Latin American countries "have not involved a similar fiscal adjustment and the impact of reform on saving is therefore likely to be much smaller".

The paper also argues that big capital inflows tend to lead to short-term falls in savings rates, but that this occurs in both Asia as well as Latin America.

After sharp criticism of the paper from other economists in Paris, the authors - who include the IADB's chief economist, Ricardo Hausmann - argued that they still considered saving important - but wanted to call into question its value as an interim target for economic policy.

"Saving Behaviour in Latin America: Overview and Policy Issues" by Michael Gavin, Ricardo Hausmann and Ernesto Talvi. To be published by the Organisation for Economic Co-operation and Development in March. In "Promoting savings in Latin America".

discuss the report, the authors were asked to make significant changes to it. They asked for the report to be revised to make it less definitive and more practical in its conclusions.

The committee, of which the bank's president, Mr Enrique Iglesias, is a member, recommended among other things that a chapter on privatisation should be adjusted "with the object of reducing its excessively doctrinaire tone". A section on finance should be re-examined to avoid "an unnecessarily neo-liberal tone".

preceded increase in savings rather than the reverse. They also argue that there are several reasons why economic reform programmes could lead to an initial fall in savings. For example, cutting budget deficits - thereby increasing public savings - was often associated with declines in private savings. Moreover, inflation,

# Degas bronze dancer auctioned for \$11.8m

By Anthony Thornton

A bronze cast of one of Degas' most celebrated works, "Petite Danseuse de Quatorze Ans", (pictured right) sold for \$11.8m at Sotheby's in New York on Tuesday night. It was a record price for a Degas sculpture at auction.

The French artist made the original wax sculpture of the young girl working on her ballet exercises around 1880 but bronze casts were not made until the 1920s - 27 are known to exist. This example was sold by the Shelburne Museum in Vermont, which, in all, disposed of five important Impressionist works for a total of \$31.2m, comfortably above the \$25m estimate. The money will be used to establish an endowment to care for the museum's collection. A Degas pastel, "Danseuse jeune", showing a dancer taking a bow, went for \$8.7m, a record for a Degas drawing, while another Degas drawing of a dancer, "Danseuse à la barre" sold for \$6m. Given the attractiveness of the images, the international appeal of Degas, and the excellent provenance of the pieces - they were given to the Shelburne by its founder, the great collector Electra Havemeyer Webb, the prices were not unexpected.

The 63 lots that followed in the winter auction of Impressionist and Modern works of art brought in \$61.35m but 24 were unsold, suggesting that bidding is still selective. However the most important works found buyers.

A Cézanne landscape "La côte du galet, à Pontoise", was on target at \$11m, while "Girls on a bridge" by Edvard Munch set an auction record for the Norwegian at \$7.7m.



# Coffee gourmets fail the bean test

By Christopher Parkes in Los Angeles

California's coffee connoisseurs, trend-setters in the new café society, are facing the possibility that they may be reclassified as nothing more than coffee mugs.

According to a federal indictment laid against a respected Berkeley broker last week, leading coffee shop chains - and their customers - may have been duped for almost a decade into paying top prices for low grade beans.

Mr Michael Norton, owner of Kona Kai Farms, is alleged to have netted a personal fortune of at least \$14m by selling Costa Rican and Panamanian coffee in the guise of produce from Kona, the tiny coffee-growing region on Hawaii.

Mr Norton's lawyer, denying the charges, said Kona was an "image" not a place. "Is all French bread baked in France," he added.

Top coffee shop chains, riding high and expanding internationally on the strength of their reputation as purveyors of gourmet beverages, were quick to deny any damage.

Starbucks, the market leader, which is planning a move into Japan, said it bought only "minuscule" amount of Kona Kai coffee.

Experts said the scandal could have repercussions throughout the industry. Hawaiian growers were due to meet yesterday to discuss their response to events. Only three years ago a growers' petition to register Kona as a trademark was rejected in Washington.

Kona, hand-picked on about 100 small farms in the only coffee-growing area of the US, sells for \$8 a pound compared with less than \$2 for more mundane varieties. The Kona area produces only 2m lbs of beans a year, although on some estimates, the US market consumes 20m lbs of "Kona blend".

AMERICAN NEWS DIGEST

## Democrat fund inquiry rejected

The US Justice Department has rejected a request to appoint a special prosecutor to investigate Democratic party fundraising, after allegations that the Clinton administration dispensed political favours to foreigners in exchange for large campaign contributions.

The department said a task force of federal prosecutors would conduct a review of political fundraising for the 1996 election, adding that a special prosecutor could still be appointed later, depending on the evidence.

In a separate investigation, the Commerce Department is to hold an internal investigation into the conduct of a former employee, Mr John Huang, the man at the heart of the controversy over foreign-linked political contributions. *Pats Waldmeir, Washington*

## Boeing team wins contract

An industry team headed by Boeing has won a \$1.1bn Pentagon contract to develop an airborne laser to shoot down tactical ballistic missiles in flight.

The team, which includes Lockheed Martin and TRW, will develop a prototype to be mounted on a Boeing 747 jet. The Air Force chief of staff, General Ronald Fogelman, said the laser could change the military's concept of defence. The Boeing team defeated a team headed by Rockwell International including General Motors' Hughes aircraft division and the E-Systems unit of Raytheon. *Reuter, Washington*

## Rise in US producer prices

US producer prices rose by an estimated 0.4 per cent in October, the Labour Department said yesterday, in the latest indication that inflationary pressures remain weak.

The figure marked an acceleration in wholesale price increases from September, when the index rose by just 0.2 per cent, but would have been much lower except for sharp increases in the highly volatile food and energy components of the index. Wholesale energy prices rose by 1.9 per cent, while food prices were 0.8 per cent higher.

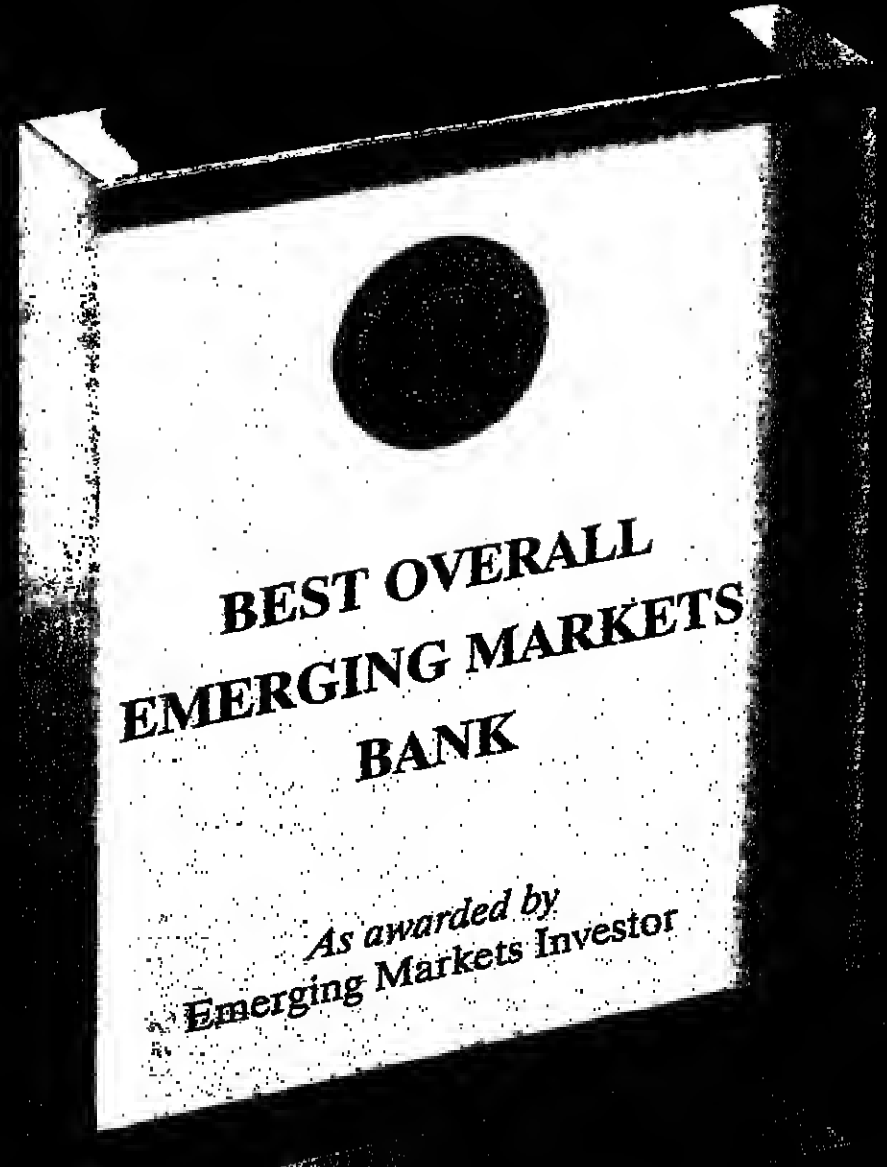
The figures were seen as a vindication of the Federal Reserve's decision not to raise interest rates in September. The Federal Reserve confirmed yesterday that it would hold interest rates steady amid signs that the economy is on course for modest growth with stable inflation next year. *Gerard Baker, Washington*

## Chirac plea to French Guiana

President Jacques Chirac yesterday tried to calm tensions in French Guiana, where three nights of riots resulted in one person dead. Frustrated high school students have been on strike for three weeks demanding better educational facilities. Their discontent spilled over into street protests a week ago in the main city, Cayenne, which led in turn to night-time violence.

Mr Chirac urged local authorities to "ensure that the demands of the Cayenne school pupils are satisfied". The French government has beefed up the police presence, sending 150 extra gendarmes to Cayenne. *AFP, Cayenne*

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NEWS: INTERNATIONAL

# US joins international force in Zaire

By Patti Waldmeir in Washington and John Kampner in London

The US said last night it would join a multinational force to intervene in Zaire, contributing 1,000 ground troops and several thousand others to provide logistical support.

The development paves the way for the despatch of a Canadian-led force of up to 20,000 troops commanded by a Canadian general - which

could be controversial in the US.

Britain said last night it was ready to contribute "constructively" to the force, provided a satisfactory plan could be worked out.

British ministers said they had been heartened by pledges of large-scale US involvement in military action to ensure safe passage of humanitarian aid, especially around the regions of Goma and Bukavu bordering Rwanda.

The United Nations Security Council is expected to provide a mandate for the operation by the end of the week.

The US laid down strict conditions for participating in the force. US troops would be used to secure the Goma airfield in eastern Zaire and to provide security along a corridor from Goma to the Rwanda border.

Most of the US troops would be based outside Zaire. Mr Mike McCurry, the

White House spokesman, said no attempt would be made to separate militia forces from refugees in conducting the operation.

The White House appeared to have acted in haste in making the decision, playing down concerns about the precise purpose of US intervention in its keenness to respond to international pressure for immediate action.

More than 1m long-term Rwandan and Burundian

Hutu refugees are cut off from all aid by the conflict between Zairean troops and Tutsi rebels, who hold much of east Zaire. Thousands are feared to be dying in the hills and mountains.

The multinational force is supposed to help repatriate them but cannot force them to go home from the vast Mungu refugee camp near Goma or from hills and forests where they are hiding.

The hazards facing the force were highlighted yesterday when Goma was

shelled, prompting UN officials to suspend their first distribution of aid.

Rebels fired at an unidentified aircraft as it made three passes over the city, with rebels saying that they suspected French troops were on board.

In Kigali, Rwanda's president warned the intervention could go the way of other ill-fated missions to Africa unless Zairean rebels were consulted.

## The days of France's African hunting ground may be ending

Michela Wrong on Paris's discomfort over its Rwanda policy

After weeks of fretting, President Jacques Chirac has got his wish.

Now that the Rwandan government has watered down its objections to French involvement in a Canadian-led military operation in east Zaire, stipulating only that Paris should not play a prominent role, France is once again in a position to intervene in central Africa.

The Rwandan change of heart will come as a massive relief. While other western countries were content to wring their hands over the unfolding tragedy, the French have pushed for international military engagement from the start.

But most analysts believe such eagerness has little to do with concern for 1m Hutu refugees behind rebel lines. Driving France, they say, is the need to stop the conflict sending destabilising ripples across central Africa, threatening its francophone allies.

For the conflict in Kivu, by challenging the territorial integrity of one of Paris's closest regional allies - Zaire - risks sabotaging decades of French post-independence policy in Africa, undermining cosy relationships fostered with a host of leaders across the continent.

"President Paul Biya in Cameroon, Gabon's President Omar Bongo and the

countries neighbouring Zaire to the west are absolutely frantic," says Mr Gérard Prunier, a French academic with close ties to the Paris government. "They all have ethnic problems of their own that spill over borders. They are afraid if Zaire becomes a meatstorm they will get splashed in the mud and will not be able to save themselves."

France's failure to take immediate unilateral action

'France is under pressure to show its allies it is not abandoning its own backyard'

In east Zaire confirmed these leaders in their suspicions that the halcyon days when much of the continent was Paris's *chasse gardée* - its "private hunting ground" - were over.

Under the old arrangement, France regularly dispatched troops to shore up faltering regimes and bailed them out financially. In exchange, its companies won the lion's share of government contracts and Paris was assured of a flurry of African votes when key deci-

sions came up in international forums.

But the relationship has grown burdensome for France and a generation of young technocrats is urging Paris to "normalise" its relations with the continent and turn towards Europe, America and the Far East.

Paris's allies, already disturbed by the downfall of the late Rwandan President Juvénal Habyarimana, would regard no action of any kind in Kivu as a sign France was both dropping Zaire's President Mobutu Sese Seko and leaving Zaire to fall apart.

"France is under pressure to show its allies it is not abandoning its own backyard," says Mr Antoine Glaser, editor of the African newsletter *Lettre du Continent*.

Ironically, just when France needed to show it still cared, it found its hands tied by compromising past intimacies. The crisis exposed to critical public scrutiny one of the worst examples of its "special relationship" - with Mr Habyarimana's genocidal regime.

Widespread suspicion over France's motives - delicately referred to in diplomatic language as the issue of "neutrality" - has been one of the main reasons why it has taken the international community so long to agree on a military intervention.

Rightly so, for French ties with the former Hutu regime run deep. When the Tutsi-dominated Rwanda Patriotic Front (RPF) first invaded Rwanda in 1990 and then retook it in 1993, hundreds of crack French troops were sent to bolster the army.

France not only trained Rwandan soldiers and militiamen, it provided armoured cars and Gazelle helicopters and underwrote the delivery of millions of dollars' worth of weapons.

Little wonder then, that when France launched "Operation Turquoise" in 1994 to set up a safe zone in Rwanda, its troops were cheered at roadblocks by the men responsible for the deaths of half a million Tutsis.

Paris had said it was intervening to save lives, irrespective of ethnicity. But the Hutus were convinced the real intention was to halt the RPF's advance.

Since then the two countries have barely been on speaking terms. Kigali accused France of using Operation Turquoise to spirit a blood-stained elite out of the country. France refused to invite the new regime to its Franco-African summit in Biarritz in 1994 and did its best to block European aid to a country struggling to rebuild its war-shattered infrastructure.

Many of the leaders who played a key role in the



Zaire's deputy premier, Mutombo Bakafwa Nsanda, gestures during the World Food Summit, opened by the Pope yesterday. He said it was intolerable for some to live in luxury while others starved. Editorial Comment, Page 15

genocide now live in France, a fact hugely resented in Rwanda. Despite detailed evidence against them, Paris has yet to extradite any to an international tribunal.

Aware of the extent to which France was compromised in the Rwanda story, Mr Chirac sought international legitimacy for intervention by courting support from western allies. But whatever role France now ends up playing in east Zaire, its policy in Africa has received a body blow. Its decision-makers will be left with a bitter taste in their mouths.

In Zaire, Togo, Gabon, Cameroon, Benin and a bevy of other African countries, France has always taken the pragmatic, self-interested line. Critics say it has turned

a blind eye to rigged elections, been the first to resume aid to pariah states, and tolerated human rights abuses for the sake of maintaining "influence" with the countries concerned.

As a result, France and all things French are hated by opposition movements across the continent which blame Paris for their people's subjugation. When, as in Rwanda, the resentful seize power, France risks finding itself persona non grata.

"The chickens are really coming home to roost," says Mr Prunier. "We had this notion that dictators were good for us and Africans didn't deserve any better. We have been behaving like slob, and finally we have to pay the bill."

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November 1996

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Dated 11 November 1996  
R V White  
Company Secretary

### MIDDLE EAST ECONOMIC CONFERENCE

## Egypt-Israel business council established

By David Gardner in Cairo

**CAIRO** Leading businessmen from Egypt and Israel have set up an Egyptian-Israeli business council, with a political committee to lobby for continuing the Middle East peace process.

It was formed by the Israeli government of Mr Benjamin Netanyahu.

Mr Dan Gillerman, president of the Federation of Israeli Chambers of Commerce, described the council as a "landmark" and the most important development to come out of the third Middle East and North Africa economic conference taking place in Cairo.

Nearly 50 of the two countries' most prominent businessmen founded the council at a meeting late on Tuesday night. Among them were Mr Ibrahim Kamel of the Kato Group, one of Egypt's largest enterprises, Mr Mohammed Farid Khamis, chairman of the Egyptian Federation of Industrial Employers, and Mr Benny Gaon, president of Koor Industries, Israel's biggest industrial group.

Israeli businessmen representing about 70 per cent of

the country's gross domestic product took the unprecedented step in the May elections of endorsing the Labour prime minister, Mr Shimon Peres, against Mr Netanyahu. They argued that Israel had broken out of diplomatic isolation and into new international markets as a result of the peace process, with high growth, a doubling of exports and a sixfold increase in inward investment.

Growth in Israeli national income has plummeted since the election, while both the domestic stock market and Israeli shares listed internationally have been badly affected.

Corporate Israel's decision to join forces with its peers in the leading Arab country marks a more assertive stage in its lobbying for peace. It also underlines business fears that Israel - a dynamic economy which depends for its prosperity on integration into the global market - could be pushed back into isolation if the Netanyahu government's investment policies are seen as feeding a new cycle of violence in the Middle East.

Mr Warren Christopher, US secretary of state, told the 2,000 businessmen from

more than 70 countries at the Cairo conference: "You are the constituency for peace." Senior European and Arab officials expect President Bill Clinton in his second term to put more pressure on Israel to go back to the "land-for-peace" formula behind détente in the region.

They foresee Arab governments cutting back recently established ties with Israel unless Mr Netanyahu changes course. They also note that the European Union is losing patience with Mr Netanyahu, and that it has a "partnership" agreement granting Israel unique access to the EU's research and development pro-

gramme and giving the country's dynamic high-tech sector its first real opportunity to crack the European single market.

Common to the analysis of Americans, Europeans and Arabs is that increased pressure on the Netanyahu government will show up domestically in the form of pressure from Israel's internationally linked and listed businesses.

Mr Gaon for instance said: "What I'm worried about is the volume of Israeli shares being traded - you don't see volume. If Scottish Widows pension fund can't trade shares in Koor Industries, they'll buy something else. I

can have \$3.5bn turnover and a return of 22 per cent [on equity] and still get red on my [shares-trading] screen."

"We are doing what we can to persuade him [Mr Netanyahu] that the economy will not survive without peace. Peace and prosperity are not two avenues, they're one avenue," Mr Gaon said. "Because the business community has felt the dividends of peace more than any other sector of [Israeli] society," said Mr Gillerman. "We have to make an investment in peace. Beyond the bottom lines, that's in our self-interest."

Many Egyptian business-

men, despite growing pressure to slam the door on the Israelis, also believe it is worth keeping open lines to Israel's business lobby.

"We hope this will create some kind of momentum which will filter back politically," said Mr Gamal Mubarak, director of Medinvest, a UK-based investment bank, and son of Egypt's President Hosni Mubarak.

"They are looking out for their own interests and they know their interests depend on continuing the peace process," he said. "We'll continue talking and keep our channels of communication open to get our message across."

## Cairo signs Turkish gas deal

By Sean Evers in Cairo

Egypt yesterday signed an agreement to export up to 7.3m tonnes of liquefied natural gas a year by tanker to Turkey from 2000.

The parties to the memorandum of understanding, signed at the third Middle East and North Africa economic conference, are the Egyptian General Petroleum

Corporation (EGPC), Turkey's Botas Petroleum Pipeline Corporation (Botas) and Amoco Egypt Oil Company, a subsidiary of Amoco Corporation of the US.

The project, costing between \$2bn and \$4bn, includes two joint ventures. The first, to be formed by EGPC and Amoco, will build and operate an LNG plant on Egypt's Mediterranean

coast. It will also be responsible for transport and sale of the LNG to Turkey.

A second joint venture, to be established by Botas, will build and operate a regasification plant and other facilities near Izmir, Turkey.

The Egyptian LNG exports will meet about 35 per cent of Turkey's natural gas needs.

The deal may jeopardise the previously proposed "peace pipeline" running from north-eastern Egypt to Turkey by land through the Gaza strip, Israel, Lebanon and Syria.

An Amoco spokesman said that "under current regional conditions" direct LNG exports by tanker to Turkey made the most economic sense.

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# US and EU revise telecoms stances

By Frances Williams  
in Geneva

In an agreed move, the US and the European Union yesterday tabled revised offers in World Trade Organisation talks on liberalising telecoms services, due to conclude next February.

The main improvement in the US offer is the scrapping of restrictions on the landing of submarine cables by foreign companies. The offer also includes commercial satellite

services, akey EU demand. Satellite services were included in Washington's previous offer, which opened local, long-distance and international services to foreign competition. But just before the original April 30 deadline, the US said it would take them out of its liberalisation package because of a lack of "critical mass" in market-opening pledges by others, especially in Asia and Latin America.

Like the EU, the US has moved towards a "technol-

ogy neutral" approach which specifies the coverage of telecoms services whatever the method of delivery.

However, trade officials in Geneva said the value of the right to enter the US local market has been somewhat devalued by Tuesday's US Supreme Court ruling that upholds the authority of state rather than federal regulators to decide on deregulation of the local phone market.

This means Washington will not be able to guarantee

interconnection rights to local networks.

In addition, while international services are included in the offer, US officials say this depends on a solution to the "free-riding" problem.

US international operators such as AT&T fear foreign companies with a domestic monopoly will take a disproportionate share of US calls to their home market, by offering cut-price rates that are subsidised by high connection charges at their end.

Other WTO members,

including the EU, believe the problem is manageable and diminishing, because the system of "international accounting rates" negotiated bilaterally by countries is increasingly being bypassed by call-back services and company networks.

They argue that anti-competitive behaviour is best tackled by requiring all operators to observe strict licensing conditions. However, in April the US said it was not prepared to abandon the current powers of the Federal

Communications Commission to refuse a licence to would-be operators in the US market if their home countries do not have competitive markets. Trading partners say this reciprocal test breaches the WTO's most-favoured-nation principle.

Their main concern is to ensure that US licensing rules are non-discriminatory and that governments whose operators are refused a licence can bring their grievance to WTO dispute settlement procedures.

## Fiat wins big train order

Fiat Ferroviaria, the rail equipment subsidiary of the Italian automotive and industrial group, said yesterday it had won a L180bn (\$119m) order to supply Malaysia with seven tilting trains, each comprising six wagons, with an option for a further 15 trains.

Fiat Ferroviaria, in a consortium with Malaysian companies led by Diversified Resources Berhad, beat Japanese rivals to clinch the contract - the first order for tilting trains in Asia outside Japan. The trains, which cut journey times by enabling the train body to lean into curves, will be supplied to KTM, the Malaysian railway, for use from 1999 on the 234km line from Ipoh to Kuala Lumpur.

Work is being carried out on the longest stretch - 174km from Ipoh to Rawang - and the tilting trains will cut the journey time between these cities from over three hours to under two hours.

John Simkins, Milan

## Taiwan starts WTO talks

Taiwan is to begin a new round of bilateral talks with the US today on joining the World Trade Organisation. During a week of negotiations over conditions for US support for Taiwan's membership, the two sides will focus on imports of liquor and cigarettes, Washington's chief remaining concern. Taipei has pledged to dismantle a state monopoly on the import, production, sale and distribution of alcohol and tobacco and liberalisation is proceeding, but not fast enough to satisfy major trading partners. The US is demanding changes to import duties on liquor and tobacco before it will back Taiwan's entry to the WTO. The main obstacle to Taiwan's WTO entry is China, which is demanding that Beijing be granted membership first.

Laura Tyson, Taipei

## Thais award power contracts

The Electricity Generating Authority of Thailand (Egat) is to award independent power producer contracts worth \$4.95bn to four international consortia for the supply of 4,172MW of power from 2001. The move surprised energy industry analysts and the companies involved in Asia's largest independent power producer scheme. Egat originally was thought to be considering between two and three consortia to supply no more than 2,800MW. But Egat was so successful in negotiating favourable prices for electricity sales that it decided to award the contracts all at once, officials said.

The four bidders likely to be approved by Egat's board at a November 22 meeting include: Union Energy, comprising Thailand's Saha Union, Tomem of Japan and Imartran Volma Oy of Finland to build a 1,400MW coal-fired facility; and BCLP Power, a joint venture between Bampu and Loxley of Thailand, CRA of Australia and PowerGen of the UK, which will also build a 1,400MW coal-fired plant.

Gulf Electric, a consortium of Lanna Lignite and Siam City Cement of Thailand and Mission Energy of the US will build a 700MW coal-fired plant and BWII Power, a joint venture between Thailand's Hemaraj Land and Development and Bechtel of the US will build a 672MW gas-fired plant.

Ted Barndacke, Bangkok

## Australian rail link backed

The South Australian and Northern Territory governments yesterday pledged to commit A\$100m (US\$79m) each to a proposed rail link between Alice Springs in central Australia and the northern port of Darwin. The link would complete a north-south rail corridor across Australia and could boost trade by cutting six days off the Melbourne to Singapore sea cargo route for South Australian exports. A recent report suggested the estimated A\$1bn project could be viable, although other studies have been less encouraging. Efforts are now mainly focused on encouraging a predominantly private sector development, with Daewoo among those thought to have some interest.

Nikki Tail, Sydney

ABB, the Swiss-Swedish conglomerate, plans to raise its investments in China from \$600m to \$1bn by 2000, according to Mr Percy Barnevik, its president. ABB will invest in new plants to supply equipment for the \$30bn Three Gorges dam on the Yangtze river. These will augment production from its existing 18 joint ventures. China represents 3-4 per cent of ABB's worldwide business, but Mr Barnevik predicted that would rise to 10 per cent by early next century.

Tony Walker, Beijing

Ansaldo Energia, part of Italy's state-owned Finmeccanica-Ansaldo group, is to build a 400MW power station in West Java, Indonesia, under a build-operate-own project in a consortium with Nrg Energy of Minneapolis and Pt Kijana Mitra of Jakarta. The project is worth L1,000m. Ansaldo will take a 45 per cent stake in the joint company and the scheme involves purchase of power by the Indonesian authorities for 30 years.

John Simkins, Milan

Eurocopter, the venture between Aerospatiale of France and Daimler-Benz Aerospace of Germany, has received a FF1200m (\$39m) order to supply the Bavarian police with nine EC 135 helicopters.

AFX, Paris

## US calls off visit in China textiles dispute

By Nancy Duxie  
in Washington

The Sino-US textiles dispute deepened yesterday when the chief US negotiator on textiles postponed a trip to Beijing, just six weeks before a bilateral textiles pact expires.

The US trade representative's office said Ms Rita Hayes had concluded that scheduling difficulties with Chinese officials had made "substantive negotiations" not appropriate at this time.

The statement follows threats by Chinese officials to retaliate against Washington's imposition of sanctions against Chinese textile and clothing exports. These were imposed for alleged trans-shipment of clothing to third countries in order to evade the effect of US quotas.

Beijing denied any complicity in trans-shipments and said that from December 10 it would temporarily suspend some imports of some US textiles, farm goods, animal husbandry products, fruits and alcoholic drinks.

Mr Jay Ziegler, spokesman for the US trade representative's office, played down the threats of reprisal, describing this as a "usual Chinese response to US sanctions. In any case, the threatened sanctions are "all in areas where we have market access concerns", he said.

Mr Ziegler said the timing of the sanctions announcement was odd, considering China's interest in renewing a bilateral pact. The pact, which expires on December 31, allows the US to impose triple damages on trans-shipments. Beijing has sought to modify the terms of the pact and demanded compensation for a July 1 revision in the US rule of origin, which has hurt Chinese exports. China's textile and clothing exports to the US have been dropping since 1994.

The textile dispute comes just as the Washington administration is hoping to improve trade relations with China.

Mr Warren Christopher, secretary of state, is due in Beijing next week to pave the way for President Bill Clinton's meeting with Chinese President Jiang Zemin.

## Israel rag trade crosses the border

Peace process precipitated a revamp of textile industry, writes Judy Dempsey

When Israel and Jordan signed a peace treaty two years ago, Mr Dov Lautman, chairman of Delta, one of Israel's largest textile groups, saw an opportunity.

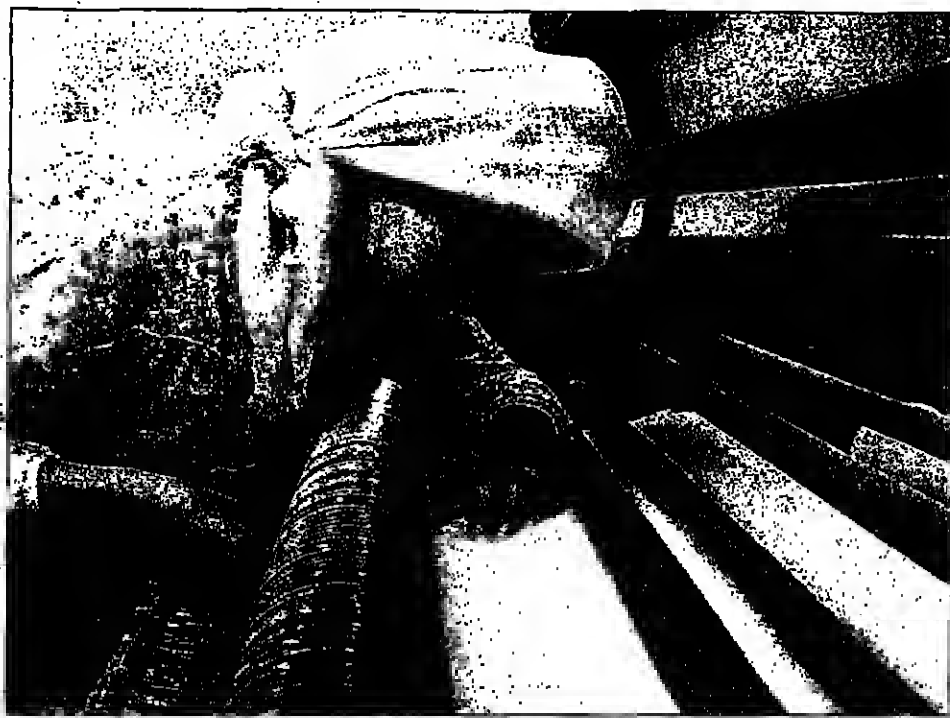
Saddled with rising costs in a labour-intensive industry, he decided to move a part of his manufacturing operations to neighbouring Jordan. Mr Lautman has not regretted the decision.

"Israeli textile manufacturers are facing the same problems as their European counterparts: high labour costs and growing competition from south-east Asia," said Mr Lautman, who has 4,000 employees on his payroll in Israel.

Ironically, it was the peace process which exposed the lack of competitiveness in Israel's textile industry. In 1992, Israel signed free trade agreements with the US and the European Union aimed at reducing the hefty 110 per cent tariffs imposed by Israel on US and EU imports to 12 per cent by 2002.

"That agreement exposed Israel to real competition," said Mr Kory Bardash, analyst at Zannex Securities. "Israeli manufacturers were finding it difficult to compete with labour costs which are between 20 per cent and 30 per cent higher than in Greece or Spain," he added.

The impact of the free trade agreements, among the first fruits of the peace process for Israel, was swift. By 1995, 25 per cent of Israeli



Peace process spin-off: the Middle East textile trade goes regional

garments were imported, compared with 10 per cent three years earlier. Over the same period, Israeli labour costs had risen 30 per cent in US dollar terms and inflation had risen 30 per cent.

Exposure to competition meant Israeli textile companies had to restructure their 50,000-strong industry. The peace agreement signed between Israel and Jordan in 1994 provided the opportunity.

Delta last year started manufacturing in Jordan, where it now employs between 300 and 400. "We feel very comfortable about setting up there. The peace process is very good for all sides. We need each other," said Mr Lautman. Delta, which specialises in lingerie, had already moved part of its sewing facilities to Egypt in 1994 and it now employs about 700 workers there.

Delta's initiative sent a

signal to other Israeli textile manufacturers who are dependent on the export market. A third of the industry's \$3.4bn sales last year came from exports, accounting for 9 per cent of Israel's total exports, which amounted to \$17.9bn.

Earlier this year, Castro, a coat and jacket manufacturer, set up a joint venture in Jordan. "We do the cutting and the designs and the patterns in Israel," said Mr Bardash.

## Crackdown on Latin America music pirates

By Alice Rawsthorn

The music industry plans to label every compact disc and cassette tape sold in Latin America with a hologram as part of its crackdown against piracy, which is rife in the region.

Nearly \$300m worth of illegal CDs and cassettes were sold there last year, against legitimate sales of \$2.05bn, according to the International Federation of the Phonographic Industry.

Latin American music sales have risen steadily in the mid-1990s and the region is seen as an area of high growth. Record companies are anxious to clamp down on piracy now, rather than risk it spiralling out of control and preventing them from exploiting the region's full potential.

Holograms have been

effective in curbing music piracy in other countries. A hologram makes it easy for the authorities and record retailers to check whether a product is legitimate, and the cost of producing an original one is too high for pirates.

The music industry introduced anti-piracy holograms in Poland three years ago, and the proportion of record sales commandeered by counterfeit products has since fallen from 90 per cent to 22 per cent. A similar exercise in Hungary has halved the market share of the pirated share of the market from 60 per cent to 23 per cent.

The Latin American project marks the first time that holograms will be added to CDs and cassettes in an entire region.

Soma 185m holograms have been ordered, bearing a

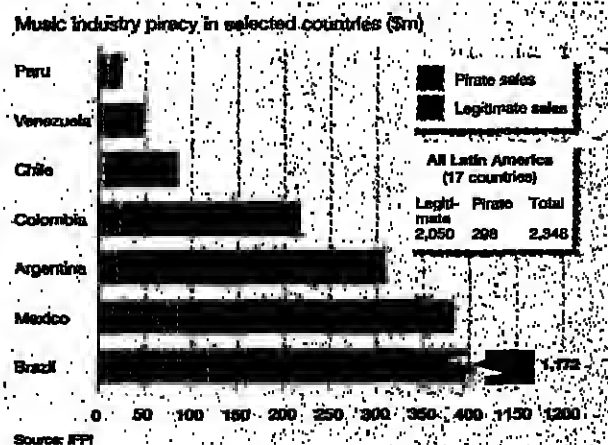
two and three dimensional image of the Latin American music industry association.

The industry hopes that the Latin American hologram initiative, which coincides with greater efforts from the region's authorities to prosecute music pirates, will have a similar effect as in Poland and Hungary.

Recent crackdowns on piracy in Latin America, particularly in Paraguay, where most of the region's counterfeit production plants are based, have involved more than 1,000 raids resulting in the seizure of \$16m worth of CDs and cassettes.

Mr Frank Walzer, president of Sony Music's Latin American division, described the holograms as a "necessary step" but warned that further steps were needed to curb piracy in markets and by street vendors.

### The pirates of Latin America



The US has expressed concern about piracy of videos, sound recordings and patents in Italy and Thailand, but praised Taiwan for efforts it has taken against copyright theft, Renter reports from Washington.

Ms Charlene Barshefsky, Acting US trade representative, said counterfeiting remained a big problem in Italy and the government's proposed anti-piracy legislation failed to toughen criminal penalties adequately.

"Italy appears to have some of the lowest criminal penalties in Europe and one of the highest rates of piracy," she said.

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NEWS: ASIA-PACIFIC

James Kyng on Singapore's worst slowdown in a decade

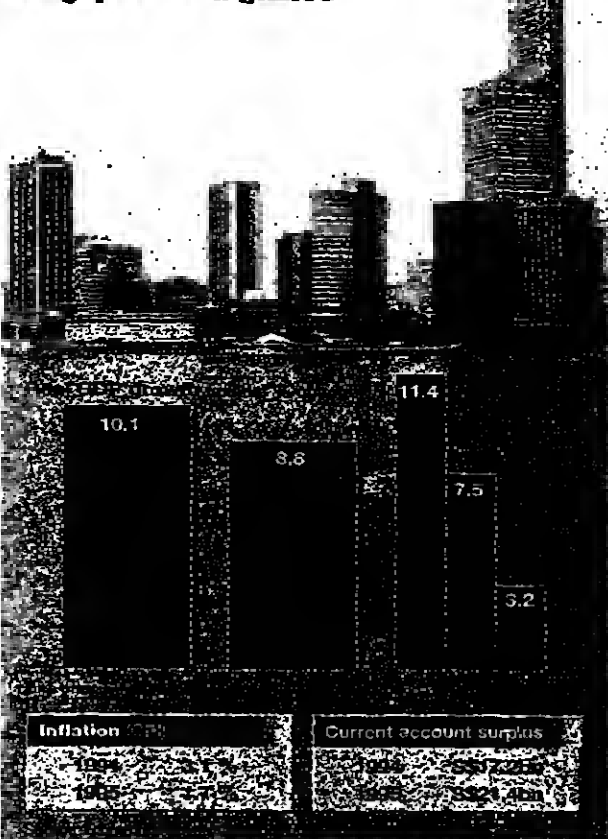
It gets tougher at the top in SE Asia

Singapore is undergoing its worst economic slowdown in a decade. The government is passing the downturn off as something temporary, a cyclical sag caused mainly by the easing in global demand for computers and other electronic products.

has been prompted by unusually negative news. The island's gross domestic product grew just 3.2 per cent in the third quarter of this year from 6.9 per cent in the second in 1995-1996. The decline was steep; in the first quarter the economy grew at 11.4 per cent and in the second at 7.5 per cent.

turnaround from which Singapore should benefit. Estimates vary but most analysts say that it takes about three to four months before the full effect of stronger demand is translated into higher production.

Singapore at a glance



business if the strategies of its neighbours pay off, more than half Malaysia's export cargoes currently pass through Singapore.

the region's financial hub. But economists say that although the modernisation of Singapore's neighbours may hit the island's manufacturing sector, it could also have the effect of enriching its services businesses.

UK and China sign \$62bn HK fund accord

By John Fiddling in Hong Kong

Britain and China yesterday signed an agreement to transfer Hong Kong's foreign exchange fund, worth about US\$62bn, to the territory's new administration upon the change of sovereignty in July next year.

ASIA-PACIFIC NEWS DIGEST

Vietnam loan rules on way

Vietnam's central bank is shortly to issue regulations defining the concept of non-performing loans and bad debt, the first significant move towards adopting international commercial practices in the banking sector.

Bhutto appeals to top court

Mrs Benazir Bhutto, the deposed Pakistani premier, appealed to the Supreme Court yesterday against her sacking and described the dissolution of her government as illegal and unconstitutional.

Bangladesh may try coup men

Bangladesh's parliament has voted to repeal a landmark indemnity law enacted 21 years ago to protect the leaders of a military coup in which the founder of Bangladesh, Sheikh Mujibur Rahman, and members of his family were killed.

Seoul health minister quits

Mr Lee Sung-bo, South Korea's health and welfare minister, appointed to the post only three months ago, resigned yesterday because of his wife's involvement in a bribery scandal.

East Timorese leave Jakarta

Four East Timorese asylum seekers, accompanied by Red Cross officials, left the Spanish embassy in the Indonesian capital of Jakarta yesterday evening to get a flight for Portugal, witnesses said.

Beijing in call to boost global economic links

By Tony Walker in Beijing

China's top economic policymaker yesterday made a strong pitch for further international integration of China, saying its vigorous economic development would "add vitality" to the world economy.



Zhu Rongji: world push

reached \$15.2bn, up 23.3 per cent on a year ago. The trade surplus for October was \$3.91bn, bringing the total for the year so far to \$12.01bn.

Ramos warned over economy

By Edward Luce in Manila

Mr Gabriel Singson, governor of the Philippine central bank, has warned President Fidel Ramos that the country's growing current account deficit could undermine the Philippine economic turnaround unless remedial action is taken.

first six months, up from 2.5 per cent last year, could reach unsustainable proportions, he warned.

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CONTRACTS & TENDERS. APV RT. HUNGARIAN PRIVATIZATION AND STATE HOLDING COMPANY. TENDER NOTICE. The Hungarian Privatization and State Holding Company (APV Rt., 1133 Budapest, Pozsonyi ut 56.) is hereby notifying all interested parties concerning the postponement of the November 4 deadline for submitting bids in the tender announced on September 6, 1996 for the sale of shares in the fully state-owned recently restructured Recski Ercbányak Rt. - Ore Mines Recsk Co. Ltd. (formerly Recski Ercbánya Vállalat). The new deadline for submitting bids is December 4, 1996, between 1:00 and 2:00 p.m. Hungarian Privatization and State Holding Co., 1133 Budapest, Pozsonyi ut 56., 8th floor, room 808. All other conditions vis-a-vis the submission of bids remain unchanged.



# Steep decline reduces unemployment level to lowest point since 1991

## Demands mount for rates rise

By Graham Bowley and Samar Iskander in London

Mr Kenneth Clarke, the chancellor of the exchequer, faced mounting pressure for higher interest rates yesterday after the biggest fall in unemployment for almost two years, cut the jobless rate to its lowest level since February 1991.

The number of people out of work and claiming benefit fell by a seasonally adjusted 40,800 in October to stand at 2,030m, the Office for National Statistics said yesterday. The unemployment

rate fell to 7.2 per cent of the workforce.

The ONS also painted a brighter picture of job creation. It said total employment rose 87,000 in the second quarter of this year, more than twice the increase it estimated last month. Jobs in manufacturing grew by 13,000 in September to 3.9m.

Excluding the adjustment for seasonal factors, unemployment has already fallen below 2m - for the first time in more than five and a half years.

October's fall, which was much larger than expected, suggests the decline in Britain's jobless is gathering speed as the economy grows more quickly.

However, the improvement was exaggerated by the introduction of the Jobseeker's Allowance, the new benefits system which has replaced unemployment benefit.

Teething problems with a new computer system at Job Centres - the state employment bureaux - meant the fall in joblessness was overstated by about 10,000, although this distortion is expected to reverse next month.

As a result, ONS statisticians said unemployment was still falling at an underlying rate of between 15,000 and 20,000 each month.

Financial markets were unsettled over worries that faster economic growth may be fuelling inflationary pressures, bringing forward the

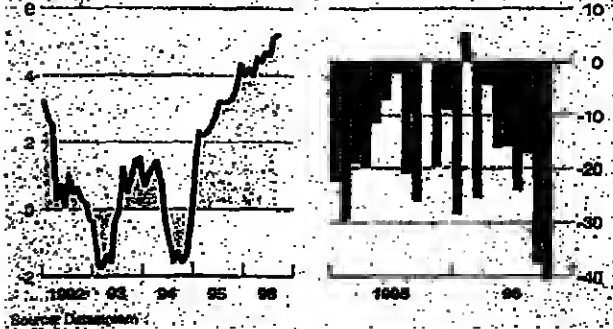
need for another interest rate increase following last month's quarter point rise to 6 per cent.

The price of UK government bonds, or gilts, fell sharply on the prospect of higher interest rates. Gilts now yield more than Italian government bonds. Financial futures contracts suggest investors expect interest rates to be raised to about 6.75 per cent by next Easter.

The Treasury revealed yesterday that Mr Eddie George, governor of the Bank of England, the UK central bank, warned in September

### Factory labour costs rise as unemployment falls

Unit labour costs in manufacturing Annual % change in 3-month moving average Month on month change, 1000s



that a quarter-point increase in interest rates would probably not be enough to keep the chancellor on course to achieve his target of 2.5 per cent underlying inflation in two years.

But the figures yesterday showed no immediate signs of surging inflationary pressures in the labour market. Underlying average earnings in the economy grew 4 per cent in the year to September, unchanged from the previous month.

## Rail freight service to grow

By Charles Batchelor, Transport Correspondent

English Welsh & Scottish Railway, the US-owned company that took over the bulk freight operations of Britain's state network, plans a big expansion of its service specialising in single-wagon shipments around the UK.

Mr Julian Worth, business development manager, said yesterday that new services to include the east coast ports in the company's "enterprise" network would start in January, catering for loads as small as 25 tonnes.

Journey times between Scotland and southern England would be reduced by increasing the average speed of trains by 25kph to 120kph.

EWS has made expansion of single-wagon and part-train services a priority because journeys are normally longer than in its bulk freight business and involve higher value and, therefore, more profitable products. Such shipments account for 80 per cent of the business of Wisconsin Central Transportation, its US parent.

British Rail, the former state organisation, withdrew in 1991 from single-wagon services because of mounting losses. But EWS attaches its enterprise service wagons to trains which are running anyway, thereby keeping down costs.

EWS has carried 500,000 tonnes of single-wagon freight since the service was launched two years ago and is carrying freight at an annual rate of 500,000 tonnes. It has recently begun carrying fluorescent light fittings and fibreboard, both of which require delicate handling.

EWS is keen to develop services that can fit into manufacturers' and retailers' delivery requirements in a market dominated by road distribution.

See Page 16

Virgin rail bid, Page 10

## N Ireland pins hope on beef data

Farmers say they have evidence needed for Brussels to cancel export ban

Beef exporters in Northern Ireland are pinning their hopes on a database, unique in the UK, which contains elaborate details of the lives, health and movements of the region's 1.6m cattle, from birth to supermarket.

Farmers and government officials in Northern Ireland say the record provides the proof needed for the European Union to exempt the region's herds from the seven-month-old ban on UK beef exports, once suspect animals have been destroyed.

Northern Ireland has had 1,738 cases of bovine spongiform encephalopathy (BSE) since 1983, just over one per cent of the UK total. Only 3 per cent of herds have been affected. Yet Northern Ireland has suffered disproportionately from the ban. Beef production is the core of agriculture, the biggest industry in the region, employing 60,000 people or 8 per cent of the workforce.

Before the ban, beef production was worth \$414m, nearly 40 per cent of gross farm output or 4 per cent of the region's GDP. It accounts for 20,000 jobs.

Exports outside the UK represented half of Northern Ireland's beef sales, with the rest split equally between

## Minister fails to soothe MPs on 'mad cow' crisis

Mr Douglas Hogg, agriculture minister, yesterday faced fierce criticism from all sides of the House of Commons after admitting there was little prospect of an early end to the export ban on British beef, George Parker writes.

Mr Hogg conceded that even if Britain met its side of the deal agreed at the EU Florence summit in June and slaughtered an extra 128,000 cattle, other member states might still refuse to end the ban.

He said consumers and farmers elsewhere in Europe were adamant the ban should stay in place. "We are not going to get from member states a timetable by which an end to the ban will be lifted," he added. His gloomy assessment prompted calls from some Conservative MPs that Britain should resume the ill-fated "beef war" of last summer, where UK ministers tried to get the

ban lifted by mounting a policy of non-cooperation in Europe.

Mr Hogg was also attacked by Northern Ireland MPs for failing to table detailed proposals in Brussels for a possible end of the ban on beef from certified BSE-free herds. Then some Conservative MPs attacked the government for failing to compensate companies involved in cattle head-deboning, many of which have been put out of business by the BSE crisis. The government's failure to secure any easing of the beef export ban in the five months since the Florence summit prompted Mr Robin Cook, the opposition Labour party's shadow foreign secretary, to say that "the beef war is the first war in history where we took on the rest of Europe; past governments have made sure that at least we had France or Prussia on our side."

political action, and for the sympathy of our European partners to be translated into something definite.

The Northern Ireland agriculture department has also been lobbying hard, hosting weekly visits by EU and other diplomats to view the database. Germans, French, Spanish and South Africans are among those who have seen the computer in action.

The eight-year-old system - due for a big overhaul soon - matches the number carried on each animal's metal eartag with informa-

tion on the herd in which it was born, its disease record, every journey it makes from farm to market, its sex, colour and age. Established to tackle tuberculosis and brucellosis, the system now indicates if an animal has belonged to or passed through a herd affected by BSE, with information dating back six years.

But despite the advantages of full traceability, Mr Ron Martin, Northern Ireland's chief veterinarian, fears a breakthrough on exports is unlikely before 1997.

Securing agreement in Brussels on a scheme for certified herds that would be exempt from the ban is taking time. It would guarantee beef came from animals under 30 months old that had never been in contact with herds affected by BSE.

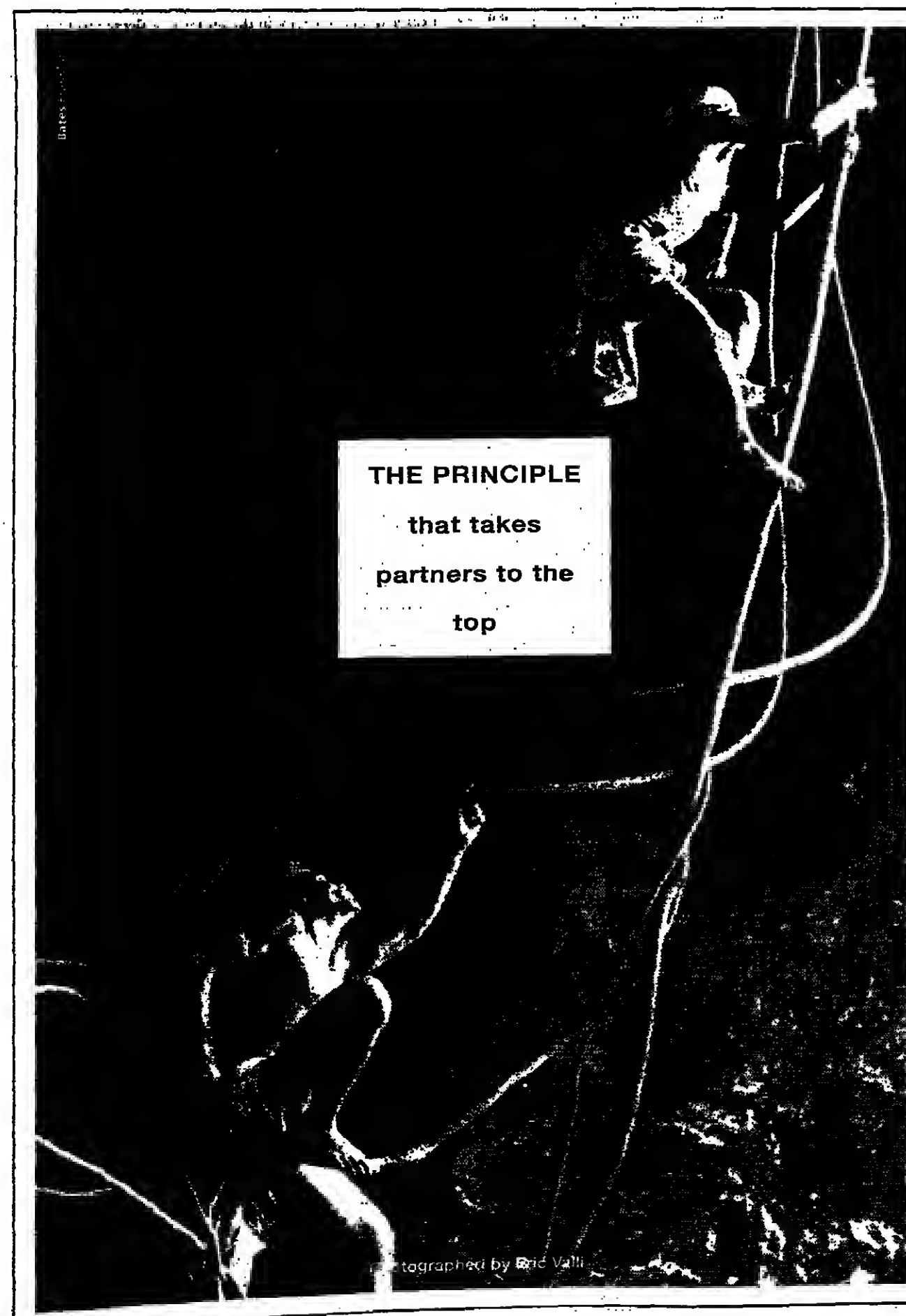
The British government is awaiting results of research into the transmission of BSE from cow to calf before deciding whether to press ahead with a selective cull to eliminate animals most at risk from the disease. These results are not expected until early next year.

There are internal delays, too. Signs that Northern Ireland might be given special treatment have angered Scottish farmers.

Beef is the most important agricultural sector in Scotland and there are fears Northern Ireland might steal its export markets.

Farmers' leaders in Northern Ireland have meanwhile suggested the industry could fund a selective cull in the province to get things moving. But Baroness Denton, Northern Ireland farming minister, said a cull would be futile unless the result was an end to the EU export ban. "We have to be sure it's taking us somewhere."

Alison Maitland



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NEWS: UK

Virgin close to buying rail routes

By Charles Batchelor, Transport Correspondent

Mr Richard Branson's Virgin Group is poised to acquire its first holding in the UK railway network after being chosen yesterday as preferred bidder for British Rail's Cross Country franchise...

Eurostar, which runs high-speed trains through the Channel tunnel between England and France, is to invest around £10m (\$16.5m) to introduce a global ticketing system...

but Virgin said its primary aim was not to create airport links but to develop a leisure and tourist railway. Cross Country will nevertheless strengthen Virgin's hand in marketing its airline services...

InterCity, West Anglia Great Northern and Thameslink. Virgin is expected to be awarded a 15-year franchise and is understood to have plans to modernise the 23 express trains operated over the Cross Country route...

Cross Country had passenger revenue of £102m (\$168m) in the year ended March 1996 and employs 840 people. The other shortlisted bidders were Great Western Holdings, the management buy-out team which acquired the Great Western franchise, and Prism Rail.

ETBA FINANCE

FINANCIAL AND ECONOMIC SERVICES S.A. (formerly GREEK EXPORTS S.A.)

ANNOUNCEMENT OF A SECOND INTERNATIONAL PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE SALE OF THE ASSETS OF "PRAIKI-PATRAIKI READY-MADE CLOTHES INDUSTRY OF VOLOS S.A." PRESENTLY UNDER SPECIAL LIQUIDATION

ETBA FINANCE Financial & Economic Services S.A., established in Athens at 1 Erasmou Street, in capacity as special liquidator of the above company, pursuant to special liquidation as per article 46a of Law 1892/1990...

ANNOUNCES a second international public auction for the highest bidder with sealed, binding offers for the sale of the total assets of "PRAIKI-PATRAIKI READY-MADE CLOTHES INDUSTRY OF VOLOS S.A."

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY The company under liquidation owns a cutting and sewing factory for ready-made clothes in Volos on Metropolitan Giatros and Aristotelous Zabou Streets in the Palaia district on a 10,307.61 sq m plot of land...

TERMS OF THE ANNOUNCEMENT 1. The present Auction shall be carried out in accordance with the provisions of article 46a of Law 1892/1990 as complemented by article 14 of Law 2004/1991...

2. Each interested party is invited to receive from the Liquidator the detailed Offering Memorandum and ask for any other information concerning the company under liquidation following a written process of confidentiality. 3. Interested parties are invited to submit a sealed, written and binding offer in the name of the company of Volos, A.O.S., assigned to the auction...

4. On penalty of invalidity, offers must be accompanied by a letter of guarantee from a first class bank legally operating in Greece, valid until adjudication for low bidders and up to the signature of the sale contract for the highest bidder, to the amount of seventy million (70,000,000) drachmas. 5. The offer will be considered by the Liquidator in his office at 14:00 hours on Thursday, 5 December 1996 and all persons having submitted offers within the specified time limits are entitled to attend...

6. Offers must clearly specify the offered amount and manner and time of payment. Part credit is acceptable on condition that at least 20% of the total offered price is paid in cash on signature of the relative sale contract and that the balance is settled in equal annual or six-monthly instalments, the first of which is to be paid within one year from the date of signature of the relative sale contract... 7. The factory can be put to any productive use by the buyer. However, if the buyer wishes to put it to any use other than the manufacture of ready-made clothes, then it is up to the buyer to obtain the necessary permits and at his own expense...

17. The buyer of the company under liquidation will not be entitled to use the words "PRAIKI-PATRAIKI" as a name, trademark or in any other way. 18. In accordance with para. 13 of article 46a of Law 1892/1990 the sale contract, the transactions and any other action involved in its execution, are exempt from Stamp and/or stamp duty while the rights and fees of notaries, lawyers, supervisors and registrars of mortgages are limited to 30% of the figure in question...

The present announcement has been drafted in Greek and in English in translation. In any event, however, the Greek text will prevail. For any further information and for the Confidential Offering Memorandum, interested parties may apply to the offices of the liquidating company:

ETBA FINANCE Financial and Economic Services S.A., 1 Erasmou Street, 4th floor, Athens, Greece, tel: +30-1-726-8216, 726-8218, 726-8296 and fax: +30-1-726-8664.

ELECTRICIDADE DE MOÇAMBIQUE

Urban Household Energy Project Medium Voltage Networks and Substations Rehabilitation in Nacala Invitation for Bids Date: 11th November 1996 IDA Credit No: 2033-MOZ

1. The Government of Mozambique has received a credit from the International Development Association (IDA) in various currencies towards the cost of Urban Household Energy Project, and it is intended that part of the proceeds of this loan will be applied to eligible payments under the contract for Medium Voltage Networks and Substations Rehabilitation in Nacala.

2. Electricidade de Moçambique now invites sealed bids from eligible bidders for the turn-key contract under which the design, the supply and the construction of approximately 6km of 33kV overhead line, approximately 2km of 33kV cable, approximately 7km of 11kV cable, approximately 15km of 11kV overhead lines, 12 new distribution transformer stations 11/0.4kV. The existing distribution voltage 6.6kV will be changed to 11kV. The completion period is expected to be 9 months from commencement.

3. Bidding is open to all bidders from eligible source countries as defined in the Guidelines. Procurement under IBRD Loans and IDA Credits, and having an annual turnover in construction work of at least USD 15 millions. Earlier experience from similar project in African countries will be preferable.

4. Bidders may obtain further information from, and inspect the bidding documents, from 20th November, during normal office hours Monday/Friday 08:00 to 17:00, at the office of the Employer or the Engineer, at the following offices: Electricidade de Moçambique Network Engineering Department Av. Filipe Santarém nº1368 Maputo, Moçambique Fax: +258 1 422074 Phone: +258 1 422071/2

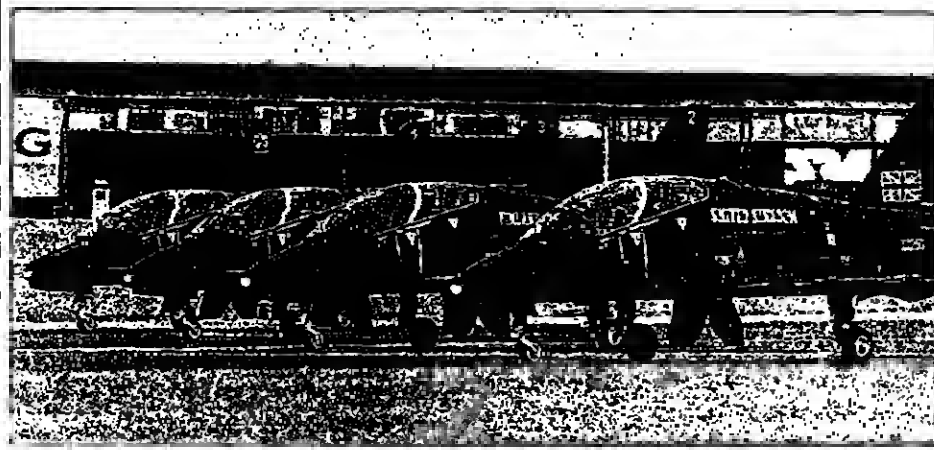
5. A complete set of bidding documents in English may be purchased by interested bidders upon payment of a non refundable fee of USD 500 from 20th November 1996.

6. Bidders are required to visit the site as a preparation for submitting the bid. The site visit will be conducted by Electricidade de Moçambique and is scheduled to take place during the first or second week of December 1996.

7. All bids must be accompanied by a security of USD 100,000 or an equivalent amount in a freely convertible currency, and must be delivered to Electricidade de Moçambique at the above address, at or before 15:00 hours on 20th January 1997. One original and two copies of the Bid shall be submitted. The language shall be English.

8. The Bids will be opened in the presence of Bidders' representatives who choose to attend at 15:15 hours on the above closing date at Electricidade de Moçambique's office in Maputo.

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BAe Hawk II military trainers lined up at the Farnborough international air show

Australian aircraft deal is big boost for contractors

By Cley Harris and Roland Acluarhann

A £1bn (\$1.6bn) order from Australia for 40 Hawk military trainer aircraft could mark the beginning of a new chapter for British Aerospace and its sub-contractors in the UK defence industry.

After two years without an announced order for Hawks - an existing customer bought more aircraft without fanfare in the intervening period - several purchases may now follow in quick succession over the next few months, analysts believe. BAe has sold 700 Hawks to 15 countries and is seeking new orders from 12, including repeat customers. Another analyst suggested an order from Brazil could be announced before the year-end, with decisions likely soon after from Malaysia and South Korea. Other

countries pondering Hawk purchases include Canada, India and South Africa. Although BAe could not quantify the employment directly related to production of the Hawk, it said the Australian order would help to secure thousands of jobs. Other UK companies almost certain to benefit from the order are Rolls-Royce, the aeroengine manufacturer, and Dowty Aerospace, part of TI Group.

Analysts said the 12 Hawks to be built in the UK for Australia beginning in mid-1998 amounted to about six months' work at current production rates. The remaining aircraft will be built in Australia, in part by companies owned by BAe. The Australian order makes it more likely that BAe could sustain an increase in annual production, according to Mr Chris Avery of Paribas. "They are

planning on 30 to 36 a year. They would need another order to keep doing it for another two to three years." The £1bn price tag is BAe's estimate of the order's value over 25 years, including maintenance services and spare parts. The initial purchase price is likely to amount to about £500m. The order is expected to be especially profitable for BAe - carrying a margin of up to 20 per cent - because it privately funded the development of the Hawk 100 and 200 models and it will not have to pay a levy to the UK government for launch aid.

The single-engine Hawk trainer uses the Anglo-French Rolls-Royce Turbo-meca Adour engine. Jointly developed in the 1960s for the Jaguar, it has found a number of other applications, including the Hawk. The latest Hawks are powered by the Adour 871.

Court supports Fayed brothers' citizenship plea

By John Mason and John Kampfner in London

Mr Mohamed Fayed and his brother Ali, owners of the Harrods store in London, yesterday won their Court of Appeal fight against the decision of Mr Michael Howard, the home secretary, to refuse them British citizenship.

The ruling was the latest in a series of setbacks for Mr Howard at the hands of the courts, and comes at a sensitive time for the British government. Parliament's independent commissioner for standards has begun an investigation into whether Mr Neil Hamilton, a former government minister, took cash and hospitality from Mr Mohamed Fayed in return for tabling questions to ministers in the House of Commons.

In their ruling, by a 2-1 majority, the judges said Mr Howard had not treated the Fayed brothers fairly when he refused to give reasons for his decision to reject their earlier applications and should therefore reconsider their cases. However, Mr Howard was given leave to appeal to the

PM says health care to stay free

The government yesterday ruled out explicit rationing in health care, saying the state health service should remain free and universally available with guaranteed long-term funding growth.

Mark Summan writes. A new government paper marks the Conservative government's strongest endorsement of the founding ideals of the service. The paper is designed to highlight the successes of the health service in areas such as reducing waiting lists for treatment while heading off opposition charges that the government has a hidden agenda to privatise the service or reduce its scope.

Mr John Major, the prime minister in effect, has not further radical reforms by a Conservative government, describing the health service in the paper as "part of the fabric" of the nation. "The government is proud of its commitment to the NHS as a public service, promoting health and offering high quality healthcare to everyone on the basis of need regardless of the ability to pay," he writes.

Afterwards, a spokesman for the Fayed brothers said: "Mr Mohamed Fayed feels Mr Howard has dogged his steps and he wonders why he appears to be so prejudiced against him. He wants to know why that should be and he hopes that through the process of law, those facts will emerge." He wanted to know why the home secretary had intervened personally in his case on three known occasions.

UK NEWS DIGEST

MPs critical of Japanese deal

The Japanese-led consortium which bought the British defence ministry's stock of housing for married military personnel for £1.6bn (\$2.64bn) was yesterday accused by MPs of installing a British war hero as its chairman in a bid to gain acceptability.

Members of the House of Commons defence committee yesterday cast doubt on the merits of the sale of the 57,000 homes, which were bought by Annington Homes, a consortium led by Nomura, the securities house. Mr Bruce George, an MP for the main opposition Labour party, suggested that Annington's chairman, Sir Thomas MacPherson - a former soldier and holder of the Military Cross - was appointed purely to reassure servicemen who resented the sale of the estate to Japanese interests. Sir Thomas replied there was no question that he or his colleagues on the board were "puppets".

ACCOUNTING STANDARDS Share option move postponed

The urgent issues taskforce of the Accounting Standards Board yesterday postponed a decision on whether to go ahead with a new ruling designed to stamp out what was seen as a rare but growing abuse.

The board is concerned that some companies are giving executives free shares as part of their pay but only showing the nominal value of the benefit in the accounts rather than the real value of the shares and the cost to the company. However there has been considerable opposition to the new rule because it may catch a whole range of approved share option schemes. As a result, it could depress the profits of many large companies. The task force decided that the underlying principle of the new rule is correct, but it is to consider whether there are valid reasons for exempting some schemes.

MICROELECTRONICS Siemens professorship founded

North-east England's growing involvement in microelectronics is to be further strengthened by the creation of a £300,000 (\$495,000) Siemens Chair of Microelectronics at Newcastle upon Tyne University.

Research and development projects will be carried out for Siemens, which is developing a £1.1bn semiconductor plant in North Tyneside, and in related topics for other national and international groups. The professorship, announced yesterday, is funded by Tyne and Wear Development Company (TWDCo), a private company owned by Tyne and Wear's five councils. TWDCo is financed by income from its portfolio of industrial properties and land and provided Siemens' 42 ha site. Chris Tighie, Newcastle upon Tyne

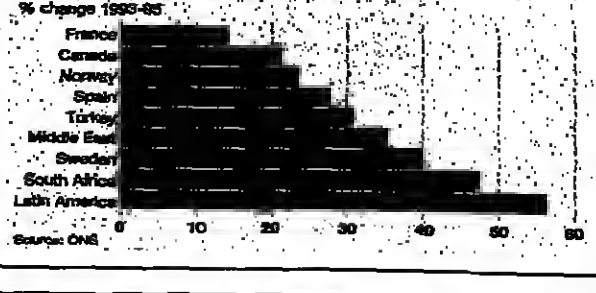
CAR SALES Jaguar hopes to beat record

Worldwide sales of the new Jaguar XK8 sports car, launched last month, totalled 1,825 cars in the month. That took total sales by Jaguar, a Ford subsidiary, to 4,385 cars last month, or 39 per cent more than in October 1995. The company sold 847 XK8s in the US last month, which was a record for its sports models. It said it still hoped narrowly to beat last year's total world sales of 39,700 cars.

HOLIDAY TRAVEL Britons seen as more adventurous

British travellers are becoming more adventurous in their visits to other countries, with a sharp increase to destinations such as South Africa, Latin America and Turkey. France and Spain remained the two most popular destinations last year, accounting for more than 40 per cent of visits according to a report on travel trends published by the Office of National Statistics yesterday. But the allure of cheap long-haul travel has boosted visitor numbers to South Africa and Latin America. South Africa has attracted greater numbers of visitors following the introduction of democracy and last year's staging of the Rugby World Cup.

Farther and wider

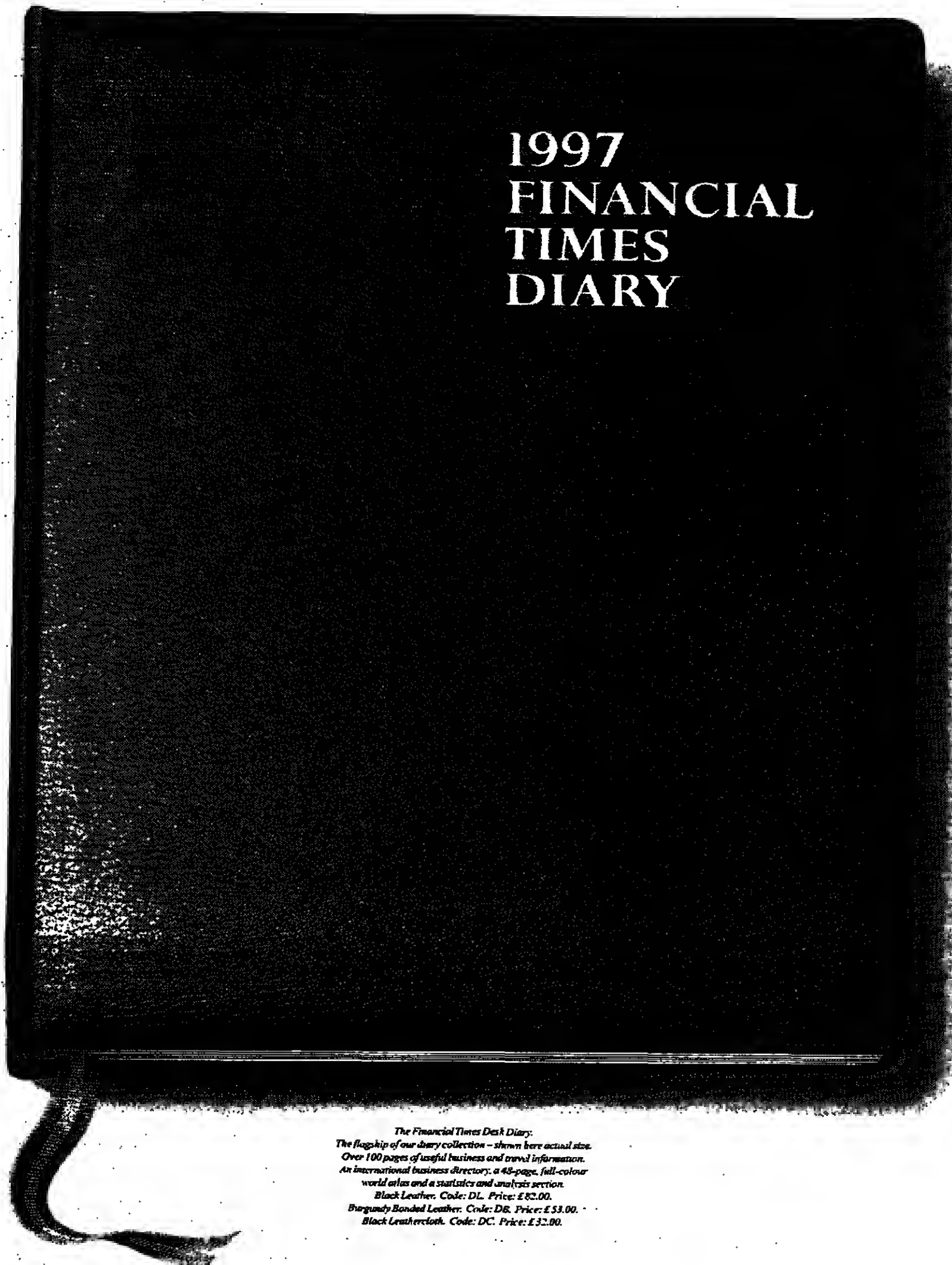


The Financial Times plans to publish a Survey on Swiss Industry and Technology on Friday, December 13. For further information please contact John Rolley on Tel: +41 22 731 1604 or fax: +41 22 731 9481. FT Surveys

On instructions from The Marquess of Londonderry, The Earl of Hardwick, The Viscount Long, Lord Ralston New College Oxford and other vendors. LORDSHIPS OF MANORS Many dating from Domesday 1086, to include manorial rights and some with mineral rights. To be sold at Founders' Hall, 1 Cloth Fair, London EC1 at 2.15 pm on Thursday 5th December. Historic Catalogue £10 (USA & Europe £15) including postage. HISTORICAL RECORDS AGENCY 42 Wandsworth Bridge Road, London SW9 2TH Tel: 0171 736 2675 or 0171 736 0689



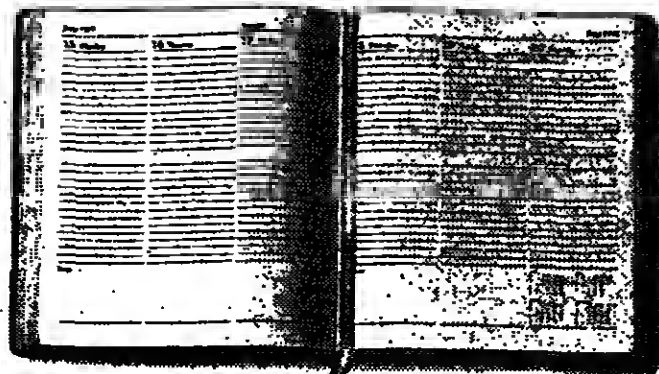
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The Financial Times Pocket Diary. Contains over 34 pages of valuable business and travel information, with a portrait week-to-view diary running from December 16, 1996 to January 4, 1997. Black Leather. Code: PL. Price: £16.00. Burgundy Bonded Leather. Code: PB. Price: £15.00. Black Leathercloth. Code: PC. Price: £13.00.

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TECHNOLOGY

Worth Watching - Vanessa Houlder



Clean advantage in transport

Fuel cells which produce energy from the reaction between hydrogen and oxygen are showing promise as a clean energy source. Daimler-Benz, for instance, is testing a prototype of a car powered by a fuel cell that emits only water vapour to its exhaust.

But the efficiency of fuel cells must improve if they are to become commercially viable. Researchers at the Fraunhofer Institute for Applied Polymer Research in Germany believe they have taken a step forward by improving the quality of the cell's membrane, a thin layer which separates the hydrogen and oxygen while promoting the reaction between them.

The new membrane has good durability, conductivity, permeability and ion-exchange capacity. It is cheaper than conventional materials.

*Fraunhofer Institute for Applied Polymer Research, Germany, tel 332846563; fax 33284632.*

Lighter view of laptops

The UK subsidiary of Merck, the German chemical company, has developed an optical film for liquid crystal displays that could help in developing the use of smaller, lighter batteries in laptop computers.

The Transmax film is a "reflective polariser", which works by repeatedly reflecting and depolarising light. It allows 70 per cent of the light to be transmitted; traditional polarisers achieve only 35 to 45 per cent transmission.

Since the film allows more light to be transmitted, it would permit LCD manufacturers to use lower power lamps and smaller batteries, while keeping the

same brightness. Alternatively, they could increase the brightness of the display, which might lead to new applications for LCD monitors, including desktop computers. Transmax is based on technology originally devised by Philips in the Netherlands.

*Merck: UK, tel (0)1202 669700; fax (0)1202 663599.*

The sound of progress

A hi-fi speaker that could be mounted on a wall like a picture would have some clear advantages over bulky, free-standing models. But designing wall-mounted speakers presents technical difficulties, notably concerning the interference from sound reflected off the wall.

Now Noise Cancellation Technologies, a Maryland-based company, has used its expertise in noise control systems to develop a flat, 4cm deep wall-mounted loudspeaker which it plans to launch next year.

The loudspeaker uses piezo ceramic actuators in its membrane. These control the vibrations of the panel in a way that prevents reflection and interference from the rear while allowing sound to radiate from the front.

*Noise Cancellation Technologies (UK): UK, tel (0)1223 434898; fax (0)1223 425265.*

Map for fast movers

Estate agents and solicitors may be able to get quicker, cheaper access to maps for surveys and conveyancing, using digital satellite technology.

A pilot project, backed by the Department of Trade and Industry, is being set up to demonstrate a technique that can download a LMB digital map at a speed of 2 Mbits per second for less than £1.

The system, which was devised by Intergraph, an interactive computer graphics systems company, and Esys, satellite systems company, uses a consumer satellite dish attached to a standard PC.

*Intergraph (UK) Ltd: UK, tel (0)1793 619999; fax (0)1793 618568.*

Once around the Monterey Bay, frolicking briefly in 10m of water among California's sea lions, and Graham Hawkes has his head above water again. "That's it," he proclaims. "Proof of concept."

Deep Flight I, his prototype single-handed submersible has "flown" under water for the first time in public after 20 years of often painful efforts to get off the drawing board.

Deep Flight II, designed to scoot about in the depths of the Pacific's Mariana Trench - the deepest known place on earth - can be ready in 18 months, he says. But first he needs \$7m (£4.3m) to build the machine, and he is hatching himself to tap the resources and good will of his neighbours among the more conventional technology companies of Silicon Valley and California's aerospace industry.

Last month's proof of his concept that it is possible to "fly" a submerged, lighter-than-water piloted vehicle, rolling and manoeuvring on stubby "wings" and powered by twin turbine-style thrusters and a half-dozen lead/acid batteries, is Hawkes's riposte to conventional wisdom. This dictates that remote operated vehicles or negative-buoyancy machines will provide all the access needed for exploring deep oceans.

"We have robots and manned things that sit on the bottom, but we need all the tools in the box," he says. For example, no existing equipment offers the manoeuvrability or the "viewing range" offered by Deep Flight.

Although the glass/epoxy microflight prototype is designed to descend to 3,000ft and could even survive safely at 12,000 feet, it is unlikely ever to go that deep, he says. "What's 1,000ft or 3,000ft when you're going for 37,000ft," he argues.

Deep Flight II, designed to dive safely to twice that depth, or more than 70,000ft, will be built mainly of alumina ceramics, four times as strong as steel, and developed and tested at US Navy research laboratories for classified military purposes.

Despite its appearance, Deep Flight is more closely related to the diving suit. Although it lacks the tactile facilities of a suit, and the submariner operates from a prone position, it is easily manoeuvred to stand up on its tail, allowing the pilot an all-round view from the acrylic-domed nose. "Once you're inside, looking around, the claustrophobic feeling disappears," he says.

Among claimed advantages over other projects, such one in Japan which has industrial and



Flight path: Deep Flight I was piloted from the drawing board to the ocean surface by Graham Hawkes

Christopher Parkes finds a British inventor splashing about with some serious ambitions

Water wings

government backing, is Deep Flight's transportability. "Conventional equipment is so big and heavy and specialised that each machine needs its own mother ship," he says. "Deep Flight can go anywhere on virtually any ship."

At an estimated full-production cost of \$5m each, it should be affordable for applications beyond Japan's programmes for ocean science, deep-sea fisheries and biotechnology research, he claims.

The 49-year-old British-born engineer and explorer, who holds the world record for the deepest solo dive in Deep Rover, his last commercial submersible, has spent his career designing and building successful underwater machines.

In Britain, he co-founded OSEL, the Great Yarmouth-based specialist. His main business, Deep Ocean Engineering, based near San Francisco, now generates annual revenues of \$3m from manufacturing remote-operated vehicles for undersea exploration and engineering applications. He also runs Deep Sea Discoveries, a commercial marine archaeology

company. But his heart is in Hawkes Ocean Technologies, a separate business which serves as an incubator for Deep Flight and other dream projects.

His persistence is fuelled by associates such as Don Walsh, who, in 1960 with Jacques Picard, piloted the US Navy's bathyscaphe Trieste to the bottom of the Challenger Deep, off Guam.

Bruce Robieson, a leading deep-sea explorer and senior scientist at the Monterey Bay marine research institute, argues persuasively that Deep Flight opens the way to "revolutionary scientific discoveries". Mobility at depth will expand the range of the possible, he says. "In the past we have been able to do only very precise, point-of-focus work on areas such as ocean current movements."

The Hawkes machine would mean that large underwater features such as volcanoes or canyons could be surveyed in a few dives. Scientists would be able to swim with and observe migrating whales and other sea mammals instead of tracking them with acoustic pingers.

The inventor's ambitions for the machine also focus on his own interest in research, environmental work and exploration. Much of his backing has come from sponsors such as Rolex, which traditionally associates its watches with adventurers, and film-makers.

Even if heavy industries remain on the sidelines, his ambitions, which extend to a paired configuration of vehicles for undersea work, also embrace intriguing alternatives. These include a recreational submersible, the Hydrohawk, a sleek "hydrobotics" runabout for those wishing to loop the loop 1,000ft down. Also along the line is the Hydrotour, a 12-seater with an acrylic viewing dome for each passenger, designed to be towed underwater behind a surface boat in areas such as Australia's Great Barrier Reef.

"This is what happens when you start dreaming again," Hawkes says, without much conviction. An underwater tour may be a realisable fancy, but it is a far cry from the dream which started him on his voyage to the bottom of the sea.

Model view of disease

Drugs for psychiatric and mood disorders are particularly expensive to develop, because few human or animal models are available to evaluate experimental medicines before clinical trials are held.

Neuraxis, a new company based at Manchester Science Park, aims to cut development costs by providing healthy human volunteers for psychiatric drug testing.

"The essence of our approach is to bring psychiatric symptoms under laboratory control," says Bill Deakin, professor of psychiatry at Manchester University, whose laboratory has produced the first disease models used by Neuraxis.

Most advanced are the models of anxiety and panic disorders. One involves playing subjects a series of quiet neutral sounds through earphones, followed by a loud blast of white noise. Then the sequence of tones is repeated, and the volunteers become increasingly anxious as they anticipate the next loud blast.

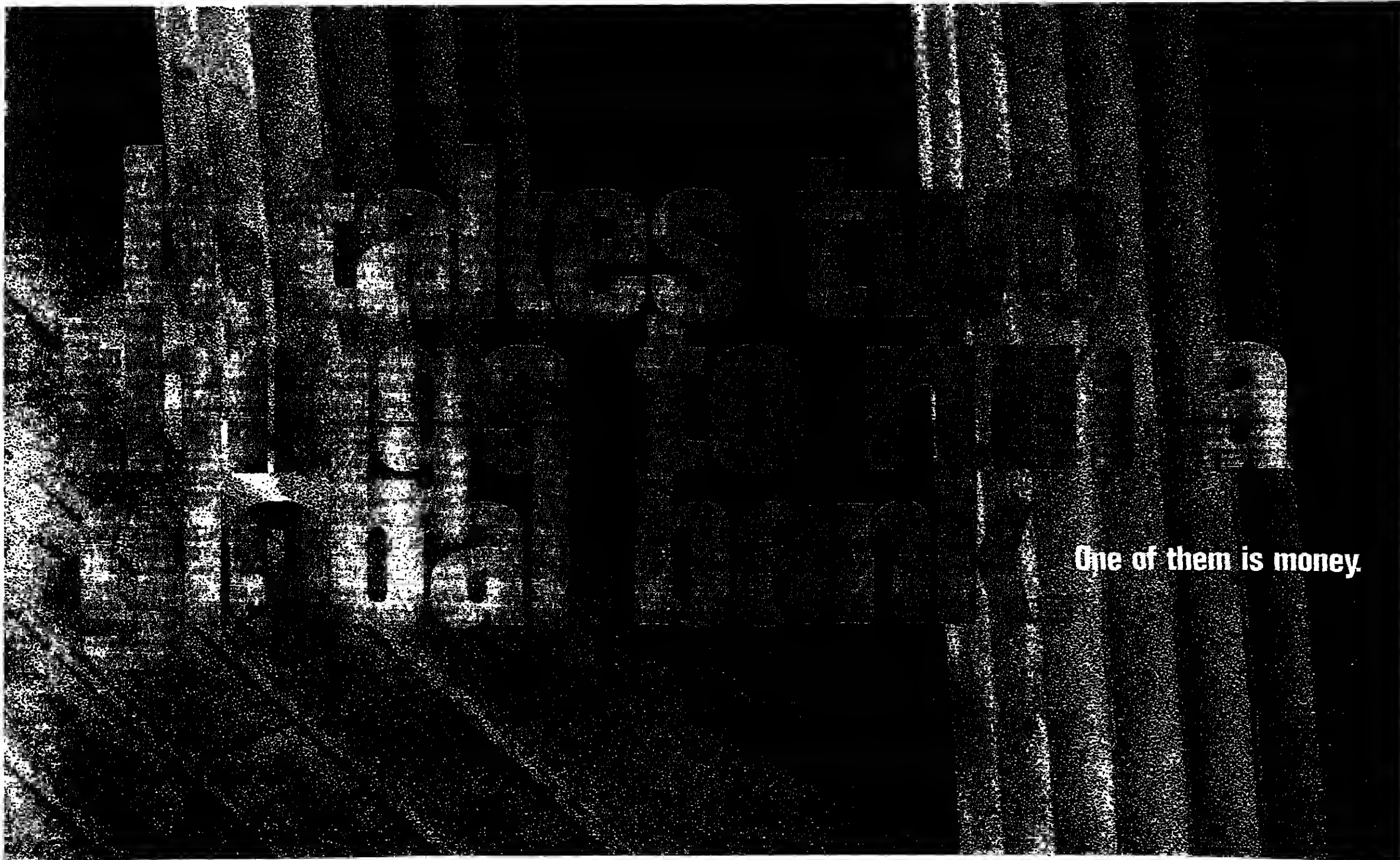
The volunteers, who are typically students, are wired up to various instruments that measure changes in their brain activity, skin temperature, heart beat and other indicators of anxiety.

Fifteen potential drugs have been tested in this way, Deakin says. The drugs' effects on healthy volunteers mimic their impact on patients who suffer from extreme anxiety - panic attacks, for example.

Neuraxis is a joint venture by Cerebrus, a specialist neuroscience company started last year, and Medeval, a contract research company owned by Manchester University.

The overall strategy is to offer pharmaceutical companies a combination of animal and human tests, so they can evaluate the efficacy of candidate drugs before carrying out clinical trials with patients.

Clive Cookson



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ARTS

Cinema

# From trophy hunt to trophy wife

TRUE BLUE  
Ferdinand Fairfax

THE FIRST WIVES CLUB  
Hugh Wilson

THE DAY THE SUN TURNED COLD  
Yim Ho

It is a grim week for American manhood at the movies: both the pumped-up, worked-out, preening version of the species, plotting dastardly deeds on the icy waters of the Thames, and its older, more rational counterpart, fighting middle-aged torpor with the no less ignoble play of ditching his wife for a younger model.

The journey from trophy-hunt to trophy wife makes shameful viewing, but one almost ends up feeling sorry for the testosterone-charged humks who are so neatly undone by good old-fashioned British resolve in one instance, and a sassy triumvirate of feminae wives in the other.

First, the downfall of the younger, *True Blue* tells the story of the 1987 Boat Race, a morality tale so rich in conflict and paradox that it could hardly fail to make gripping cinema.

We start at the beginning of the academic year with an Oxford crew which has just been humiliated by the "Labe" (not a Gola, but taken from "Camtubs", otherwise known as The Other Place or just plain Cambridge).

Unfortunately, it occurs to no one to turn to good old-fashioned British resolve straight away, so revenge is hatched with the aid of four strapping American oarsmen and a cox who suddenly acquire the academic ability to make the journey from Olympic training camp to fusty common room.

Their easy-going, swaggering manner is infectious, no matter that they use each occasion on which they bump their heads in the dank college corridors (and there are a few) to rant against British architecture, and scholarly tradition in general.

But a metaphor lurks here. For soon, the Americans believe that they know better than their coach, Daniel Topolski (Johan Leyson) and the up-standing president of the Boat Club, Donald Macdonald (Dominic West). The rebel leader, Dan Warren

(Josh Lucas), wears a Superman shirt in training to make his point gently, but soon he resorts to more explicit condemnation of Topolski's training regime, which turns from "Victorian" to "medieval" in the space of a couple of sit-ups.

The conflict between stern Brit amateur values and crisp Yank professionalism (neither as straightforward as they seem) simmers, and then boils over. But one of the great things about Oxford is that there is always a Jesuit priest around when you need one...

The dramatic resolution of *True Blue* does not disappoint; it is considerably more exciting than any boat race you might have seen live on television (though one could do without the over-synthesised soundtrack). In fact, given the necessarily corny lines, there is some fine playing (and rowing) throughout this ripping yarn of a film, and director Ferdinand Fairfax skillfully balances the poetry and the grand of early mornings on the river.

But I wonder if screenwriter Rupert Walters has pulled any of his punches, perhaps with a US audience in mind: the all-American boys here do not appear nearly so obnoxious as to have caused such a historic rupture in this ancient sporting fixture. Or perhaps they were right all along?

Plenty of obnoxiousness, by contrast, in *The First Wives Club*, in which those wanderlusting men abandon their fiftysomething wives for the kooky charms of their young mistresses. The wives, old chums from college days, put their heads together to gain revenge; only we are not talking boat races here, but the much more entertaining business of total humiliation.

The premise of Hugh Wilson's lame comedy is sound enough, and his cast of Bette Midler, Goldie Hawn and Diane Keaton is expert enough to cruise through the film without undue exertion. Opening exchanges are promising - Midler's wholesome, battle-axe matriarch, Hawn's gracefully ageing movie star and Keaton's over-wrought, executive, are fashionably self-referential portrayals - but what sinks the whole thing is the absence of plot twists and some truly flaccid slapstick.

At least the film has the grace not to attempt a wildly implausible triple reconciliation, but just when you think you have



More exciting than any boat race: the winning crew in 'True Blue'

escaped lightly, there is a blood-curdling musical finale which suddenly transfers your affections to the philandering husbands, which is surely not what is supposed to happen at all.

Peter Aspden

A society's cultural variety should always be cheered, not least when at risk from being swallowed by another, more homogeneous neighbour.

Yim Ho's *The Day The Sun Turned Cold* is the best Hong Kong film since *Chungking Express* and could have been made on a different planet from it. In place of a bittersweet romance and wackily gyrating camera, Yim gives us a period murder tale that could have been filmed in a new process - Claustrophobia - and actually was filmed and set in Hong

Kong's imminent takeover neighbour, China.

After an orthodox-seeming prologue, in which the son (Tao Chungwa) goes to the police claiming that his unfaithful peasant mother (Siquin Gaowa) has murdered his brutal father, we flashback to what really happened in the steam-choked home in a shanty village, where Ma makes beancurd (alas tofu) and Pa gets drunk.

Or then again did it really happen, whatever it was? Or can flashbacks themselves delude, especially in a setting where we can hardly see our forensic evidence in front of our faces? Yim has a wonderful sense of place, and of the pressure of place. Spears of light try to rout choking veils of vapour inside, and when we venture outside we find more claustrophobia. However zealously the characters seek to elude or wrong-foot destiny, imprisoning traps await

them. The mother falls in love with a rescuing woodman after falling down an ice hole. The father's home from home is the hospital, where he tries to recover from his wife's chicken stew. (Are they spiced with arsenic or not?) And even the film's sleigh-riding scenes, spectacularly filmed, seem to inhabit a world of wall-to-wall, floor-to-ceiling whiteness.

A little grim comedy is offered by Yim's portrait of weary policemen, measuring the latest human atrocity in Mao's Utopia. But as Yim's more recent Berlin prize-winning film testified - *The Sun Has Ears*, also about murder, jealousy and opaque climatic conditions - you do not go to this man's film to laugh. You go to gape in wonder at a world where love and hate, hope and despair are symbiotic twins, wrapped in swaddling mists of unknowing.

Nigel Andrews

She lands in North Africa. (Part of Elissa's problem, I suspect, is that her retinue of women contains some chaps in frocks: perhaps she is aiming to be *Priscilla, Queen of the Desert*.) Towards the end of the evening, the narrative is tossed to one side - Elissa having taken to self-immolation - and we see a merry chorus of folk-love showing a Lebanese wedding: the bride (so says the programme) quick to accept the groom when she learns of his wealth - which is Elissa's basket of jumbo pearls coming round for a second time.

It is all very different, and - to quote her late Majesty - all in national costume, too.

Concerts in London

## More stomp than march

The abiding memory of the Vienna Philharmonic Orchestra's latest visit to London will not, unfortunately, be the touch of Viennese charm it brought to its encore, the waltz from *Swan Lake* - undeniably persuasive though that was. Nor will it be the impression of a crack orchestra breathing as one in the operatic drama of Liszt's first *Mephisto Waltz* before the interval. No, what stamped Tuesday's concert on the retentive cells was Sir George Solti's brash and tasteless treatment of the third movement in Tchaikovsky's *Fatigue Symphony* - ample proof that age has not tempered the abrasive side of Solti's artistic temperament.

More a goose-step than a symphonic march, the music was driven, clipped and drilled in Solti's most manic style. Forget about the pathos intended by Tchaikovsky - the whole performance sounded slick and superficial. It lacked what the Germans call *Klangrede*, the music had no chance to speak. The point about the march is that the staid tempo, the more powerful and unstoppable the music becomes. Solti made it sound like a chrome-plated Cadillac whizzing down the street with Tchaikovsky's body in the back. Even the finale was insufferably breathless.

The mystery is why this symphony appeared on the programme in place of the advertised Schubert Ninth. To hear the Vienna Philharmonic in any rep-

ertoire is a privilege indeed, but its distinctive quality is to uphold an unbroken line of Viennese tradition, and that tradition can best be heard in the Viennese classics - of which there are more than enough to fill 10 times the number of concerts this orchestra gives at the Royal Festival Hall each season. In that context, the Tchaikovsky represented just another orchestral blockbuster, to which the Viennese brought no special insight.

A great orchestra? Unquestionably so, as its unanimity of spirit, its gently harmonised woodwinds and the sweetness and depth of string tone convincingly demonstrated. But those qualities are evident no matter who is on the podium; here they were being forced into a virtuosic conductor's mould. So this was not one of its great collaborative efforts with Solti, whose style has so often in the past proved a rich counterpoint to those special Viennese virtues.

At least someone on stage understood the idiom of Bartók's *Divertimento*, which opened the concert. Solti has his music in his bones, and his inclusion of it was a worthy tribute to the Viennese strings. But despite his lucid attempts to help them digest it, the performance was stiff and dutiful - several strops short of the fervour, intensity and rustic wit it demands.

Andrew Clark

## Sounds of Copenhagen

Clerkenwell, or more exactly its Church of Our Most Holy Redeemer in Exmouth Market - handsome proportions, somewhat dilapidated - has fallen into the habit of celebrating each successive year's European Capital of Culture. This enables the composer Roger Steptoe, who directs this Clerkenwell Music Series, to mount a great many excellent concerts devoted to the music of each chosen country and its performers.

The actual capital need not figure large. This year, however, it is Copenhagen; no problem there. Danish classical music just is "music from Copenhagen", wherever its composers and performers happened to be born. And Steptoe has brought up so rich a haul of programmes - older Danish music, especially Nielsen and Schumann's friend Niels Gade, and many modern works, and Danish artists playing international repertoire - that one wondered why neither the South Bank nor the Barbican hit upon this excuse for holding a Danish mini-festival.

Last Thursday Ronald Corp conducted the New London Orchestra in Gade's opus 1, his "Echoes of Ossian" Overture from 1840: well-made and appealing, a modestly original voice. Young Irene Theorin lent her large, lustrous soprano to Dalius's *Seven Danish Songs*, which in Our Holy Redeemer's override acoustic sounded wonderfully luscious and

expiring. *The Marriage of Heaven and Hell* was commissioned from Bo Holten (b. 1948) for the BBC Singers, who delivered these subtle Blake settings with true pitch - white-note clusters and all - and unanimous feeling. Some feeling also of Britain; besides the delicate white-note clottings, Holten too sets "O Rose, thou art sick", though without Britten's indrawn, anguishing accents. Holten's version of "Tyger, Tyger, burning bright" was held within a tight musical form: more objective than visionary, therefore, but exactly telling.

What had chiefly drawn me to the concert was Nielsen's late-ish cantata *Springtime on Funen* (1921, written halfway through his burgeoning 5th Symphony), which I had never heard performed live. Its mock-simple score - the subject is folk-festivities on his native island - fairly breathes a mature, distanced affection for an innocently lost culture.

Though Corp struck most of the right notes, the sumptuous acoustic was a nuisance. Nielsen's music is always lean, both of line and in density; the sonorous halo that Our Most Holy Redeemer bestowed upon *Springtime* rendered it almost bland, though still good to hear. One of these days, a performance in our dry old Festival Hall would be very welcome indeed.

David Murray

Danish concerts every night until Saturday, at Our Most Holy Redeemer's in Clerkenwell, London EC1.

Dance/Clement Crisp

## Jumbo pearls from Lebanon

save by those interested in the renaissance of Lebanese theatre. The setting is Tyre in the ninth century before Christ. The drama - a triumph of the inconsequential - concerns a throne divided between Elissa (who is also Dido) and her brother Pygmalion. Costuming is richly improbable in Cecil B. de Mille fashion: crowns like over-ambitious tea-pots; tinselle fabric in deep mauve and gold; Assyrian beards, and hats even more Assyrian.

There is a chap with a burr-combed lamp, a mermaid, so much dry ice that it recalled the peasouper we used to know, hollow laughter, villains taking to drink, the building of Carthage (six bricks and a tea-trolley), grunts from the men, and tremendous enthusiasm from everyone on stage. The score is cheerful, and makes slight but misguided borrowings from Debussy.

The narrative is explored - with some difficulty - in energetic gesture that would not disgrace Theda Bara or Francis X

Bushman, and there is a great deal of running about. Choreography is not quite the word I would first use to describe the style, and why anything happens really does not matter, even if you can make sense of it.

It is the belief of the performers and the lambent naïveté of the means that tugs the viewer along. I still don't understand why Elissa should want to swap a casket of unlikely pearls for a cow-hida wrap when

<p>and Mendelssohn: 11am; Nov 17, 18 (8pm)</p>	<p>Pérez de Guzmán perform works by Schubert, Beethoven and Tchaikovsky; 10.30pm; Nov 15</p>	<p>Clarence H. White's teaching is much less well known. This exhibition examines the work of White's students, including Margaret Bourke-White, Dorothea Lange, Laura Gilpin, Ralph Steiner, and Karl Struss, examining White as a teacher and mentor; from Nov 15 to Jan 12</p>	<p><b>WORLD SERVICE</b> BBC for Europe can be received in western Europe on medium wave 648 kHz (463m)</p>
<p><b>COLOGNE</b> CONCERT Kölner Philharmonie Tel: 49-221-204022 ● Robert Holl and Oleg Malenberger: the bass and the pianist perform Schubert's Selige Welt, D743, Der Schiffer, D536, Wie Ulfru Fischet, D535 and other works; 6pm; Nov 17</p>	<p><b>MUNICH</b> CONCERT Cuvillies-Theater - Altes Residenztheater Tel: 49-89-296836 ● Wind Ensemble of the Bayerisches Staatsorchester; perform works by Monteverdi, Bulli, Vivaldi, Handel and Howarth; 11am; Nov 17</p>	<p><b>SAN FRANCISCO</b> CONCERT Louise M. Davies Symphony Hall Tel: 1-415-864-6000 ● Mass in B minor, BWV232: by J.S. Bach. Conducted by Ton Koopman, performed by the Amsterdam Baroque Orchestra. Soloists include soprano Roberta Invernizzi, alto Elisabeth von Magnus, tenor Gerd Türk and bass Klaus Mertens; 8pm; Nov 18</p>	<p><b>EUROPEAN CABLE AND SATELLITE BUSINESS TV</b> (Central European Time)  MONDAY TO FRIDAY NBC/Super Channel:  07.00 <i>FT Business Morning</i></p>
<p><b>DUBLIN</b> CONCERT National Concert Hall - Geórgias Néakúrta Tel: 353-1-6711888 ● Festival Orchestra: with conductor Mark Armstrong, soprano Mary Callan Clarke, oboist David Agnew and the Three Irish Tenors - Paul Hennessy, James D. Nelson and Niall Morris - perform pop, jazz, classical and operatic music; 8pm; Nov 17, 18</p>	<p><b>LOS ANGELES</b> EXHIBITION Los Angeles County Museum of Art Tel: 1-213-857-6000 ● Ancient Art from the Shumel Family Collection: this exhibition features over 290 works of art from a broad geographical area, including China, Afghanistan, Iran, Egypt, and Greece. Highlights from the collection include an Inlaid silver Image of the Egyptian god Horus, a gold vessel adorned with heads of bulls from the Marik region of Iran, a gilt-bronze and jade Chinese pendant from the 3rd-2nd century B.C., a selection of 12th-13th-century Persian ceramics, and a rare late 18th-century Islamic carpet; from Nov 17 to Feb 9</p>	<p><b>VIENNA</b> OPERA Wiener Staatsoper Tel: 43-1-514442960 ● Andrea Chénier; by Giordano. Conducted by M. Armiliato, performed by the Wiener Staatsoper. Soloists include Luciano Pavarotti, Anna Gonda, Nelly Boschkowa and Heinz Zednik; 8.30pm; Nov 17</p>	<p>10.00 <i>European Money Wheel</i> Nonstop live coverage until 15.00 of European business and the financial markets</p>
<p><b>FRANKFURT AM MAIN</b> CONCERT Alte Oper Tel: 49-69-1340400 ● Frankfurt Museumorchester; with conductor Sylvain Cambreling, soprano Alexandra Coku, mezzo-soprano Margit Neubauer, tenor Hans-Jürgen Lazzar, bass-baritone Detlef Roth, pianist Susanne Grützmann, the Frankfurter Kantorei and the Frankfurter Singakademie perform works by R. Schumann</p>	<p><b>NEW YORK</b> CONCERT Carnegie Hall Tel: 1-212-247-7800 ● Chamber Orchestra of Europe; with conductor Nikolaus Harnoncourt perform Beethoven's Symphony No.4 in B flat Major, Op.60 and Symphony No.5 in C minor, Op.67; 8pm; Nov 16</p>	<p><b>PARIS</b> OPERA Théâtre du Châtelet Tel: 33-1 42 33 00 00 ● Oedipus Rex; by Stravinsky. Conducted by Christoph von Dohnányi, performed by the Philharmonia Orchestra and the Choeur du Théâtre du Châtelet. Soloists include Philip Langridge, Michelle Deyoung and Franck-Josef Kapellmann. Part of the Stravinsky Festival; 7.30pm; Nov 17 (8pm); 19, 21, 23</p>	<p>17.30 <i>Financial Times Business Tonight</i>  CNBC:  08.30 <i>Squawk Box</i></p>
<p><b>BONN</b> OPERA Oper der Stadt Bonn Tel: 49-228-7281 ● Oper der Stadt Bonn; with conductor Renato Palumbo perform Mascagni's Cavalleria Rusticana and Leoncavallo's I Pagliacci. Soloists include Kathleen McColla, Shpresa Spaho</p>	<p><b>MADRID</b> CONCERT Auditorio Nacional de Música Tel: 34-1-3370100 ● Orquesta Sinfónica de Madrid; with conductor Maximino Zumalave and pianist Enrique</p>	<p>Listing compiled and supplied by ArtBase, The International Arts Database, Amsterdam, The Netherlands. Copyright 1996. All rights reserved. Tel: 31 20 664 6441. E-mail: artbase@plnet</p>	<p>18.00 <i>Financial Times Business Tonight</i></p>

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**BERLIN**  
CONCERT  
Philharmonie & Kammermusikkal Tel: 49-30-2614383  
● Symphony No.8 in E flat major; by Mahler. Conducted by Vladimir Ashkenazy, performed by the Deutsches Symphonie-Orchester Berlin, the Rundfunkchor Berlin, the Kölner Rundfunkchor and the Tölzer Knabenchor. Soloists include Julia Vardy, Pamela Coburn, Laura Aikin, Jane Henschel, Reinhold Kunke, Frederic Kalt, Anthony Michaels-Moore and Kwangchul Youn; 8pm; Nov 16, 17

**BONN**  
OPERA  
Oper der Stadt Bonn Tel: 49-228-7281  
● Oper der Stadt Bonn; with conductor Renato Palumbo perform Mascagni's Cavalleria Rusticana and Leoncavallo's I Pagliacci. Soloists include Kathleen McColla, Shpresa Spaho



BOOK REVIEW David Buchan

LA GUERRE DE SEPT ANS: By Eric Aeschmann and Pascal Riché Calmann Lévy, Paris, FF130

# The cost of keeping up with Germany

France's long civil war over the policy of the "franc fort" may be coming to an end, particularly now that French interest rates have fallen to near German levels.

Bérégovoy made the "franc fort" central to his policy in his second spell (1988-92) as finance minister. However, this book reveals he was ready to contemplate devaluation in the September 1992 crisis when speculation against the franc suddenly eased. He was also beset by a growing private doubt over the "franc fort" during his unhappy year as prime minister that ended in electoral defeat in March 1993 and tragic suicide a month later.

At the start, it was not clear that the right would also attach itself to the "franc fort". In the run-up to the 1993 election, Alain Madelin, the free-market finance minister, was calling for an end to the link between the franc and the D-Mark while Mr Balladur was sounding out the Germans on the possibility of concerted interest rate cuts.

In the event, Mr Balladur consigned Mr Madelin to a minor government post, and never carried out his plans. Even after Mr Balladur managed to ease pressure on the franc in August 1993 by engineering wider fluctuation bands for currencies in the EMS, he maintained its link with the D-Mark. Why did he not use his influence with the Bank of France not independent until early 1994 - to let the franc weaken a bit without having to change its central rate against the D-Mark?

The answer Mr Balladur gives these days is that he did not want to reward speculators and that in any case he eventually got interest rates down. The real reason, the authors, is that any depreciation would have displaced pro-Europeans on the right whom Mr Balladur was by then courting in his bid for the Elysée.

His successor, Alain Juppé, never wavered from the "franc fort". Jacques Chirac did for a time, but then found himself caught up in the same diplomatic logic that had driven Mitterrand. The authors highlight the policy continuity provided by high-level bureaucrats, in particular Hervé Hanooun, who had been Bérégovoy's chief aide before becoming deputy governor of the Bank of France, and Jean-Claude Trichet, now the central bank's governor.

The authors make it clear that for too long, too much weight was put on monetary policy as "the forceps" to bring a reformed France into the modern world. It is a pity they do not delve deeper into the debate - or lack of it - on monetary policy inside the Bank of France. Was it, in hindsight, a mistake to have made the Bank of France independent so early, when the Maastricht treaty only requires central bank autonomy before the creation of the single currency in 1999? But perhaps this is only a secondary issue.

More important is the prospect of a new struggle over the "euro fort", this time with the French and the Germans again on different sides. The new Seven Years' War looks like taking the form of French efforts to ensure the euro is not overvalued against the dollar and yen, as the franc and D-Mark have been, and German insistence that the new euro be at least as strong as their old D-Mark.

La Guerre de Sept Ans is available from FT Bookshop, Ring FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK.

Peter Martin

# A premium on relevance

Consolidation among insurance companies is unlikely to solve the problem facing the industry: that their customers have a more informed view of risk



What is the point of insurance? The question is a serious one: the humdrum business of providing life and general insurance is one of the most important sectors in the developed world's financial services industry, employing many hundreds of thousands of people and lying up large amounts of capital.

Yet it is increasingly threatened by a crisis more pervasive than price-cutting or cross-border competition: a crisis of relevance.

This is the pressing issue that the wave of insurance consolidation - symbolised by Tuesday's merger between Axa and Union des Assurances de Paris - has failed to confront. If the industry fails to come to terms with it, the value of an important sector of the world's stockmarket capitalisation is questionable.

Traditionally, insurance has had two aspects: sharing out unpredictable risks and saving for the inevitable. Both are under threat. The challenge comes in part from technology, in part from the growing sophistication of the developed world's savers. But the underlying threat is more subtle: it stems from a shift in our understanding of the nature of risk.

Some risks are genuinely unpredictable. Natural disasters fall into that category. So do some man-made events, such as traffic accidents involving pedestrians. Sharing out such risks makes sense. Yet for almost all of its existence the insurance industry has gone beyond pooling the risk of the truly unpredictable. Instead, it has exploited our ignorance of just how predictable many risks actually are - or can be made to be.

Because risk has been crudely, rather than precisely, priced, many categories of insurance have been a form of gamble: policyholders bet they will get out of the insurance relation-

ship more than they put in. The gambling nature of the relationship accounts for the growing incidence of insurance fraud: if the fruit machine fails to produce an appropriate payout, policyholders are increasingly willing to tilt it in their favour.

Fraud is not the only way the insurance industry's tacit bargain with its customers is breaking down. Another factor is technology: powerful computers allow car insurers, for example, to predict ever more accurately the likely accident rate of ever narrower categories of drivers. Similarly, more reliable medical examinations - soon, no doubt, to be supplemented by genetic testing - make it easier to predict the future health-insurance claims of any individual policyholder.

Probably the most important factor, however, is a shift of attitude, best summed up as a dwindling of fatalism. A culture that believes in causality has looked at insurance, and concluded that the responsibility for risks previously regarded as Acts of God can be rather more precisely attributed. Even those risks that are unpredictable often

have consequences which can be identified and priced appropriately, as owners of tornado-prone coastal properties in Florida and subsidence-afflicted houses in north London have found.

Another way of looking at this shift in attitude is to see it as a move towards individualism, undermining the collectivist ethos of insurance. Why should I pay the same premiums as my neighbour when I am manifestly a better bet? And, as financial markets increasingly come to embrace the sophisticated segmentation and analysis of risk, why should I continue to pay premiums to an insurance industry which has not changed its fundamental approach to the subject for centuries?

The growing willingness of the industry to compete in unorthodox ways is gradually putting this shift in attitude into daily business practice. By refining risks, the price-oriented direct insurers, such as Direct Line in the UK and its host of imitators, can offer their carefully selected customers a much better bargain. Others must pay more. Risk is at last

being properly priced. What happens when policyholders must pay an appropriate price for risk? The first reaction is protest, the second the demand for subsidy. In the short run, this can have an effect. Government can force insurers to hold down rates or aggregate risks; or it can insure the risk itself. In the long run, however, coercion merely results in a shortage of underwriting capacity - as states such as California have found. And, for all but a bare minimum of cover, socialisation of risk becomes politically or fiscally unacceptable.

In short, the first traditional role of insurance, the sharing out of unpredictable risks, is under threat. Demand for insurance products will gradually be constrained by the certainty that risk will be properly priced. Once the possibility of a windfall vanishes, customers will balance the decisions they make between "self-insurance" - that is, no insurance - and paying for coverage. Companies that are able to refine their risk analysis will survive, though in time the bonus they currently get from the relative crudeness of their rivals' calculations will be competed away. Insurers which stick to large-scale aggregation of risks will find themselves carrying an ever-increasing proportion of bad risks - and suffering a long-term erosion of profitability.

The second traditional role of insurance, saving for the inevitable, is also under threat. Again, a changing assessment of risk is part of the issue. The appeal of the insurance industry's savings products has relied on policyholders' unwillingness to expose themselves to the risks of direct investment in securities: risks of fraud, of ignorance, of short-term fluctuations. The growth of a well-regulated managed funds industry has



## LETTERS TO THE EDITOR

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### Internet set-up may be fatally flawed

From Mr Henry Birdseye Well.  
 Sir, Your recent articles, "Internet pricing" (October 26), and "Can't pay, won't cybersurf" (November 4), highlight fundamental flaws in the current Internet business model. The pricing of Internet services and the payment arrangements with telecom providers and operators reflect an unfortunate combination of outdated assumptions and misguided strategies.

The outdated assumptions come from a time when the Internet was a negligible load on telecommunication networks and generous long-distance margins supported low prices for local calls. But the game has changed beyond recognition.

Explosive growth of Internet usage is causing network overloads. Congestion and delays are frustrating Internet users. Intense competition is driving long-distance prices down relentlessly, thus forcing local services to pay their own way.

Investment in capacity to handle Internet traffic, including the broad-band technologies required to make multimedia truly interactive, is badly needed. Yet the present business model does not offer the incentive to do so. If local calls are very cheap or free, and the wholesale payment for carrying Internet traffic is less than cost, how will a telecom ever earn a reasonable return on its investment?

The telecoms are making

matters worse through misguided competitive strategies. They are aggressively pricing Internet services to pre-empt independent providers from strip-mining their customer base. Unwittingly they are conditioning the marketplace to expect extremely low flat-rate pricing for Internet access. This further distorts the business model. Low flat rates will not generate the profits to justify required investments. But once customers are conditioned to pay \$10 a month for unlimited Internet access it is hard to persuade them to pay \$30.

Is the current Internet business model fatally flawed? It may well be, because the model is not sustainable but has formidable

momentum. Note the immediate opposition by the computer industry to a small per-minute fee to the telecoms. This would not be the first time an innovation generated huge excitement and then bombed. Remember CB radio. It showed the way for mobile telecommunications. And with a much more robust business model the mobile industry took off. The Internet as we know it today may be a comparable path-finder.

Henry Birdseye Well, senior lecturer, Massachusetts Institute of Technology, 50 Memorial Drive, Cambridge, MA 02142-1347, US

### Shell denial of rights

From Mr Roger Lyons.  
 Sir, I was encouraged to see Shell's chairman, John Jennings (November 5), calling for "substance rather than public positioning statements" in his exchange with Anita Roddick (Letters, October 31).

I then read that Shell has been "listening to people both inside and outside the company". However, Shell has refused point-blank to listen to the views of employees in its UK on-shore operations, who have been the subject of arbitrary union de-recognition.

If the company ignores the rights of its own employees to representation how can Shell's wish for "dialogue" be taken seriously?

The chairman of Shell should end this disgraceful denial of human rights if his defence of the company's activities elsewhere in the world are to be believed and that, as he claims, "things are changing at Shell".

Roger Lyons, general secretary, MSF Union, MSF Centre, 33-37 Moreland Street, London EC1V 8BB, UK

### Disastrous reaction to work directive

From Mr Giles Radice MP.  
 Sir, the government's reaction to the judgement of the European Court of Justice on the 48-hour working time directive is out of all proportion to the issue ("UK threatens EU clash over employment laws", November 13).

Under the directive, British workers who want to work more than 48 hours a week can do so by agreement with their employer. In addition, a whole series of occupations is exempted from the provision of the directive, including transport workers, doctors in training and fishermen. The director-general of the Con-

federation of British Industry has accepted that the new rules would make very little difference to existing working patterns.

Whatever the government's views, it is wrong to attack the European Court of Justice. The single market is based on a system of common rules which need a court to police them. On many occasions British manufacturers have benefited from the rulings of the court.

It would be disastrous if the UK disrupted the inter-governmental conference for a measure which will have little impact on the vast majority of UK industry and

was in any case introduced long before the Maastricht treaty under the procedures of the Single Act (which was supported by Mrs Margaret Thatcher's government).

The attempt by Mr John Major, the prime minister, to block progress in Europe is likely to be as ineffective as the British policy of non-co-operation over the BSE crisis - and equally disastrous for our relations with our European partners.

Giles Radice, chairman of the European Movement, House of Commons, London SE1A 0AA, UK

### What Keynes actually wrote was . . .

From Mr P.B.W. Rayment.  
 Sir, I agree with Lord Roll's criticism (Letters, November 11) of Michael Prowse for his absurd misrepresentation of Keynes as lacking concern for the future. But the statement that "in the long run we are all dead" was certainly made by Keynes, not by Pigeon, and it has only become infamous because it has for so long been taken completely out of context.

What Keynes actually

wrote was that "... this long run is a misleading guide to current affairs. In the long run we are all dead. Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is over the ocean is flat again" (*A Tract on Monetary Reform*, 1923, 1st edition, p.30).

Far from being the cynical remark of an immoral man, this is a sharp rebuke to the whole crew of simple mone-

tarists, populist politicians, shock therapists, *et alia*, who are forever appealing to simple theories to excuse themselves from having to confront the real problems which block our path to their promised land.

P.B.W. Rayment, head of economic analysis, United Nations Economic Commission for Europe, Palais des Nations, CH-1211 Geneva 10, Switzerland

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Passports to the future

This week Mr Chris Patten has been touring the capitals of Europe to promote the cause of Hong Kong after the British colony's handover to China in July 1997. The governor has had talks with senior French ministers and is meeting Chancellor Helmut Kohl in Bonn. His mission: to persuade European governments to keep open their doors to citizens of what will become the new Special Administrative Region of China.

At first glance this may seem a small matter. But ease of movement for the estimated 3m people who will hold SAR passports will be vital to Hong Kong's future prosperity. Its reputation as a vibrant international financial centre and its distinct political and commercial identity within China will depend on continued freedom of travel for its citizens.

So far only Singapore has followed Britain in assuring SAR passport holders of visa-free entry. But Canada is considering following suit and Japan and Australia have given assurances that, while requiring visas, their immigration controls will be relatively relaxed.

There is little expectation that France and Germany will entirely scrap their visa requirements, but Europe's wider interest in Hong Kong's success should persuade them to adopt a liberal regime. In principle, Paris and Bonn should support the SAR's exclusion from a common EU visa list

and, at the very least, differentiate between its citizens and those holding the passports of the People's Republic.

However, if Mr Patten is to persuade other European nations to take an enlightened view, the British government must listen to the governor and to Hong Kong's legislative council and act decisively on another issue. An estimated 4,000 to 5,000 people from Hong Kong's non-Chinese ethnic minorities still face the prospect of becoming stateless after the handover. Mainly Indians, they are excluded from Chinese citizenship by Beijing's racist nationality law and have been denied right of abode in Britain. The most Mr John Major has been so far prepared to offer is that they would be allowed entry if they "came under pressure" after 1997. No one, least of all Mr Patten, thinks that is enough to avoid a damaging stain on Britain's international reputation. MPs across the parties are expected to reinforce the point when the House of Commons today holds a rare debate on Hong Kong.

Mr Major is said to be sympathetic to the plight of the minorities but Tory party managers fear damaging headlines in the tabloid press. Mr Michael Howard, the home secretary, has taken a similarly hard line. Mr Major, though, is prime minister. It is within his authority to make the right decision. Honour demands he does so.

World hunger

This week's world food summit, called by the UN Food and Agriculture Organisation to discuss ways of combating hunger, has been preceded by predictable scepticism. A similar meeting in 1974 vowed to eradicate hunger in a decade, to no evident effect. If this one only produces more hand-wringing and pious platitudes, scepticism risks turning to cynicism. That would be regrettable, since many of the problems which the meeting purports to address are real.

The first priority should be to identify clearly what they are. The prime causes of hunger is not, as some have suggested, a chronic - and worsening - shortage of food supply. Such diagnoses are unduly pessimistic about the chances that agricultural productivity will continue to gain from technological advances. More important, even expanded food output and more stable population growth would be unlikely, on their own, to alleviate the problem.

As the World Bank has rightly emphasised, hunger is largely a function of poverty. It not only afflicts poor countries, where food expenditure absorbs a large proportion of household incomes. It is heavily concentrated among particularly susceptible population groups within those countries.

There is a strong case for emergency programmes to insure the purchasing power of those most vulnerable to sudden rises in food prices. International aid would facilitate such measures. This should consist of cash transfers, since food aid has often damaged agricultural output in recipient countries.

But a durable solution requires faster and more equitable economic development. Global trade liberalisation is one way to improve earning opportunities for the abundant labour of developing countries.

Freer farm trade can itself play a role. Import curbs and export subsidies - notably in Europe - have crippled production in many poorer countries. Removing these barriers should be a high priority for the next farm negotiations in the World Trade Organisation.

True, trade liberalisation would probably raise world prices, hurting net food importing countries. But in many, agricultural output has been held back by economic mismanagement and policies which have discriminated against farmers. Domestic market-based reforms could do much to help these countries.

This week's conference can probably do little to promote these outcomes. The FAO's role is, in any case, increasingly marginal. Its most useful contribution to the debate on world hunger would be to help ensure that solutions are based on a proper analysis of the problem.

Society bluff

The threat by four leading UK building societies to delay their plans for a stock market flotation because of uncertainty about the government's plans to reform the relevant law should not be taken seriously.

The argument is a brazen bluff intended to preserve the protection against takeover which they will, under the current law, enjoy for five years after giving up mutual status.

The Halifax, the largest of the four, has already made it clear that it does not need this protection: it has opted for a procedure which will negate the present legal provision which says that no one may acquire more than 15 per cent of its shares.

The management of Alliance & Leicester, which is the driving force behind the four societies' campaign, stands in much greater need of protection, but deserves none.

For all that, the government's disarray over building societies legislation runs the risk of making Alliance & Leicester's case appear stronger than it is.

Mrs Angela Knight, the Treasury minister responsible, has been making up policy on the hoof. She has compounded the problem by her confusion over whether the government is ready for a bill.

Mrs Knight's proposal for "hog-fencing" any two societies which announced that they

were discussing a merger, ad libbed after the Treasury's original consultative document, has, happily, died. But she continues to tinker with unnecessarily protectionist ideas.

Her latest idea is to keep the five-year shelter, unless a converted society itself takes over another financial institution.

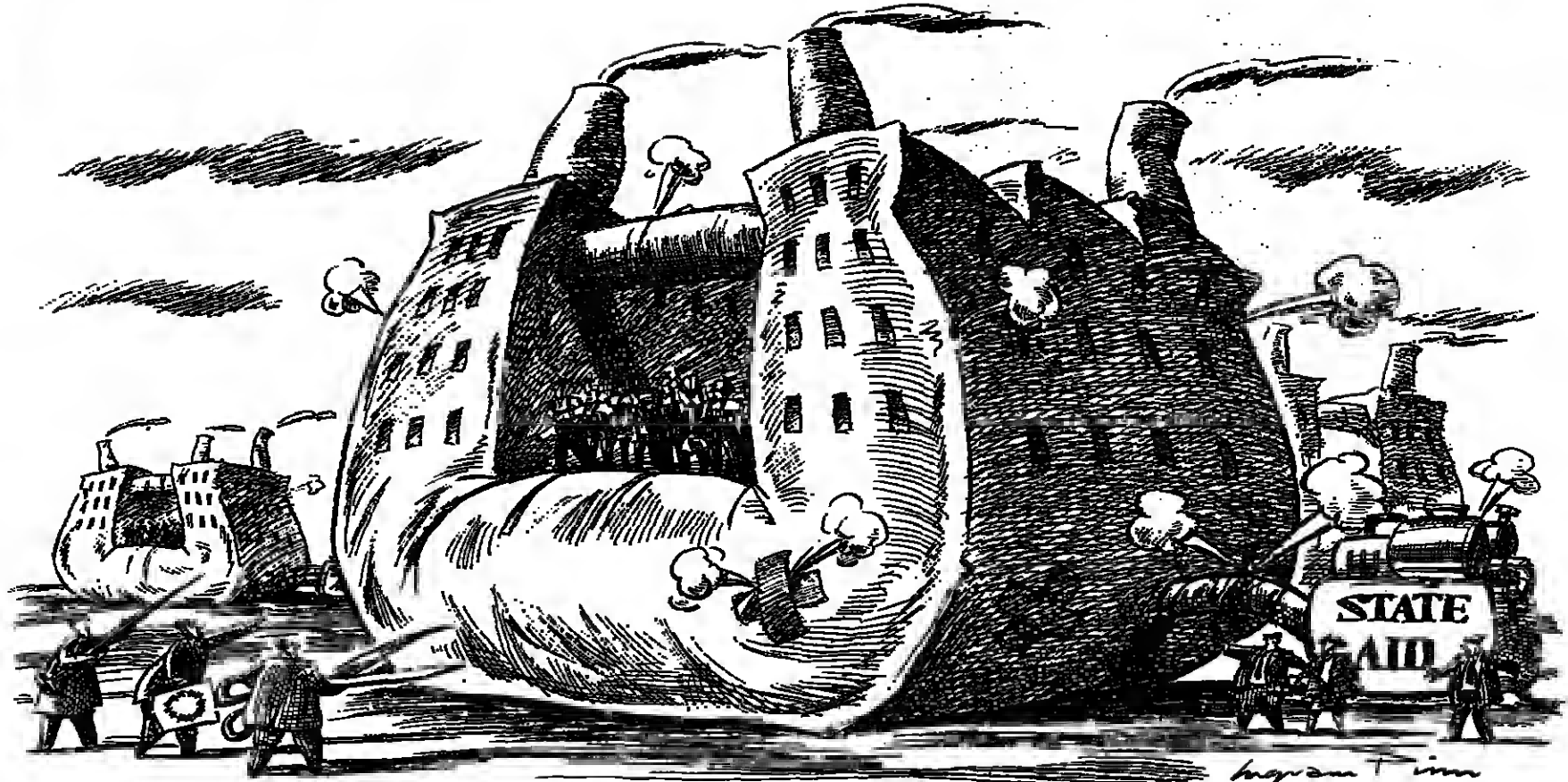
There are many things about the current building societies law that need reforming. It is highly prescriptive, spelling out exactly what a society may do and how, rather than merely stipulating what it may not do.

Worthwhile changes proposed in the Treasury's draft bill will, however, be undermined if they are combined with measures to protect converting societies.

Mrs Knight says that eliminating the five-year rule now would "ambush" societies which chose conversion under the impression that they would be sheltered.

It might, indeed, have been preferable to make the change in a year when no societies were queuing up for conversion.

That is insufficient argument for retaining a crutch which the strongest societies do not need. A society which chooses to become a bank and join the stock market has no claim for protection from the market's discipline. If Mrs Knight cannot bring herself to sweep away this protection, she would do better to leave the law alone.



The aidbusters' charter

Brazen flaunting of EU rules on state aid to industry have prompted proposals for new controls, writes Emma Tucker

Even before he fell out of a plum tree in the summer and broke his arm, Mr Karel Van Miert, the European Union's competition commissioner, was having a stressful year.

First, the eastern German state of Saxony paid more than DM50m (\$61m) to two profitable Volkswagen plants, ignoring a Commission ruling that the payment would be illegal.

Then the French government declared it wanted to give more money to Crédit Lyonnais. Other French banks complained the nationalised bank had already been given FF45bn (\$6bn) in 1996, the biggest payment of state aid ever approved by Brussels.

Last week it emerged that Bremer Vulkan, Germany's biggest shipbuilding group, had diverted more than DM700m of state aid approved by Brussels for its ailing east German yards to the west German parent company.

Mr Van Miert says he has never been under so much pressure to allow EU member states to use public money to support business. "High unemployment means trouble," he says. "The first thing governments want to do is give state aid."

But today the Commission is hitting back. In a joint initiative with the Irish government, which holds the presidency of the EU, Mr Van Miert will seek approval from EU industry ministers for the most far-reaching shake-up of state aid rules in 40 years.

The idea is to put today's loosely constructed state aid rules on a more solid footing, with a refocusing of priorities, clearer procedures, rights for third parties, more transparency and greater legal certainty.

The ideas to be proposed today include:

- Raising the threshold above which state aid cases are examined - thus allowing the Commission to concentrate on the really big cases that have a serious

impact on the single market.

- Introducing a timetable for the notification and investigation of state aid cases along the lines of the 1999 merger regulation.
- Strengthening the role of third parties - competitors and other member states - in the investigation process.
- Improving access to information in member states and at the Commission by establishing a register of decisions on state aid.

"We want the council to give us the tools to sort things out," says Mr Van Miert.

Even before the latest batch of state aid cases put the Commission on the defensive, plans were already afoot to revamp its approach to regulating state aid to industry. One of the main reasons was the fact that officials at the competition directorate are barely able to cope with the proliferation of cases and challenges to their decisions over the past few years.

"There is such an increase in the number of cases that it is becoming extremely difficult to handle them all," says Mr Van Miert.

The commissioner expects about 200 cases to be notified to Brussels this year, twice as many as last year and more than five times the number in 1993. The sharp increase stems largely from the liberalisation of important industrial sectors such as transport, telecoms and multimedia. These sectors have for the first time become exposed to competition, with new companies entering these markets complaining about unfair support for the former monopolies.

As one Irish diplomat says: "The liberalisation process is producing new sectors that 10 years ago weren't considered anything other than state-aided."

One option would be to draft in extra staff but Mr Van Miert believes there is little chance of winning extra resources. Thus the Commission proposes to reduce the number of cases that

Brussels has to investigate by restricting scrutiny to big, cross-border state aid cases affecting the single market.

Under the existing rules the competition authorities are supposed to examine any case of state aid that exceeds Ecu100,000 (\$79,000). But a ruling from the Court of First Instance, the lower court of the European Court of Justice, requires Brussels to respond to every complaint.

This means investigations into a dispute between two sports clubs on either side of a border have to be looked at just as cases such as those involving large national companies such as Crédit Lyonnais or Bremer Vulkan.

The danger of raising the thresholds is that leaving lots of small state aid cases unchecked could be damaging for competitors. Even small amounts of state aid might have a significant impact in particular markets.

This is of particular concern to the smaller member states which cannot compete with the amounts of aid poured into industry by rich countries such as France, Italy and Germany.

Last year, the Commission cleared just over 600 state aid cases, one third involving Germany - the "champion" of state aid, according to Mr Van Miert. Spain was the second-worst offender followed by Italy and France.

The competition commissioner sympathises with the smaller states, but says the priority is to clarify the position on state aid. "That is a different debate," he says. "For the time being we want to concentrate on making things better, more transparent and more legally certain in the first place."

He believes greater openness will counter political pressures on the Commission to approve state aid. This is why the Commission's Irish document calls for a register of rulings explaining how decisions were reached. It

OBSERVER

Bare-faced cheek

This week's Rome summit of the UN's Food and Agriculture Organisation has been a bit of a gloomy affair. The FAO's normally spacious head office has been crammed to the gills with 3,500 delegates and 2,500 rather grumpy journalists who, because of tight security, are denied access to that part of the building where the summit leaders are actually speaking.

Thus reduced to watching the proceedings on television monitors, some of the hacks are wondering why they bothered turning up, especially as the summit yesterday adopted a declaration and plan of action, before most leaders had even arrived.

But yesterday had a lighter note. After his address to the summit Dan Glickman, US secretary of agriculture, gave a press conference which was immediately interrupted by several naked women protesters, protesting against US agricultural policies towards developing countries which - they alleged - exacerbate problems of hunger.

They explained their case while scattering seeds around; a well-endowed young Italian named Olivia, and Dient in both Italian and English, beld

Flynn gets cross

Brussels bureaucrats are feeling bruised by the virulent anti-EU tone emanating from London, not least the UK's tabloid press. Lashed over mad cows, castigated over the 48-hour working week - whatever next? Perhaps the war of Flynn's ear.

Britain's Daily Mail newspaper recently carried an article on Padraig Flynn, EC commissioner for social affairs. The piece focused on Flynn's Irish roots and has provoked outrage in Ireland. It also clearly irritated Flynn; he has apparently decided enough is enough. The former Irish justice minister has now initiated legal proceedings against the Daily Mail. This could get nasty.

Mussolini goes

Alessandra Mussolini, who first traded on her looks and aunt - Sophia Loren - to model; act and then her parentage - grandfather Il Duce - to enter politics, has abruptly flounced out of her party, the rightist National Alliance, or AN.

In a curt note and without explanation, the 35-year-old Mussolini yesterday announced she was abandoning the parliamentary group. In 1992's general election she was snapped up for Naples by the MSI, the neo-fascist party that drew its inspiration from the ideals of her grandfather.

But once elected she had a stormy relationship with the MSI. Things didn't improve once it transformed itself into the AN to fight 1994's elections. She has battled with her party colleagues on Naples' city council, upsetting them by her bipartisan support for the left wing administration of the city, headed by former communist Antonio Bassolino.

But Mussolini loves the limelight. And in Italy, resignations have a habit of being withdrawn - she won't disappear. As one of her Naples colleagues observed yesterday: "There are no political differences - just her desire always to be in the newspapers".

Yuppie earache

The backlash against yuppieism is truly under way - the Swedes are investigating the harmful effects of using mobile phones. Some 17,000 mobile phone users in Norway and Sweden are participating in a survey led by Kjell Hansson Mild, a specialist in electromagnetic fields at Sweden's National Institute for Working Life. It seems heavy users of such phones complain of headaches, dizziness, drowsiness, nausea, memory loss and lack of concentration. Next thing you know they'll be looking into waffles-induced lumbago.

100 years ago

Low-priced Yankees In the first stages of the recent advance American railroad issues, attention was mainly directed by the market to the higher-priced speculative favourites such as the Milwaukee and Louisvilles. But after the first wild scramble for these, the public began to recognise that it was rather in the lower-priced varieties that speculative attraction was now to be found. A number of these cheap stocks represents the wreckage of the railroad crisis of 1893, and although most of the companies have successfully emerged from their troubles, people have been leaving the shares severely alone.

50 years ago

Costs in South Africa Mr. J. L. Hodgson, acting Prime Minister of South Africa, told the Natal Congress of the United (Government) Party yesterday that the present "cost structure" in South Africa must be lowered. "It is important for the gold mining industry; it is important for all of us," he said. "That it will come I have no doubt. When it will come I cannot say." High price levels affected the gold mining industry in a way in which they did not affect other industries, he added.

*Jolly*



"Long-term business success comes from earning our customers' respect."

FINANCIAL TIMES

Thursday November 14 1996

KYOCERA, world leader in high-tech ceramics...

Iraq fair pulls in big names despite sanctions

By Roula Khaief in Baghdad

Anyone visiting the Baghdad trade fair this week could easily think that business in Iraq is back to normal.

Visitors can inspect a Massey Ferguson tractor displayed by the company's UK subsidiary and visit stands for French oil companies Total and Elf and Canada's Ranger Oil.

The Malaysian Palm Oil Production Company draws the crowds with free fried chips.

Children beg for a taste at the display put up by Turkey's largest confectionery companies. And the wealthy peruse the catalogues of Jordanian marble and red tiles.

Not a bad line-up for a country which, under United Nations sanctions imposed since the 1990-1991 Gulf war, is banned from importing anything other than humanitarian goods and from exporting oil, its main source of foreign exchange revenue.

The fair is held every year as an act of defiance to prove growing international interest in doing business with Iraq and to try to weaken support for the comprehensive UN sanctions.

This year, however, for the first time since the Gulf war, some big names have shown up.

The Italian oil company Agip has never done business in Iraq, but it now has a permanent representative in Baghdad who set up his own section at the fair.

French oil companies are seeking contracts to develop oil fields and some reports have suggested preliminary deals may have already been signed.

For many companies, exhibiting products at the fair is part of their long-term strategic planning. They expect that the embargo will one day be lifted and Iraq will give priority to companies that stuck around. Food and medicine

suppliers, and makers of agricultural equipment, such as Massey Ferguson, are allowed to sell to Iraq under the sanctions. These companies are also attracted by the prospect of increased trade if and when the oil-for-food deal Iraq agreed with the UN in May is implemented.

The accord, which would reduce the burden of the sanctions by allowing Iraq to sell \$2bn of oil every six months to buy food and medicine, was put on hold in September, after Baghdad's invasion of Kurdish strongholds in northern Iraq.

Meanwhile, Iraq claims that it is circumventing sanctions and freely importing and exporting many products, including selling some oil.

Smuggling has become a main line of business in

Black market activities have nurtured a new class of Iraqis with purchasing power

Baghdad and the markets display many newly-arrived, mostly low-quality, goods.

Most are beyond the reach of the average Iraqi on a monthly salary worth a few dollars, but the smuggling and other black market activities have nurtured a new class of Iraqis with purchasing power.

For exporters to Iraq, foreign currency is a problem. According to foreign food traders, some large companies hoping to win contracts when sanctions are lifted are helping to finance small suppliers of food and medicine in a three-way deal that promises them payment by Iraq in the future.

A representative of a Chinese building materials exporter at the fair says he is confident of a bright future for Iraq when sanctions are lifted.

In the meantime, he says, "Iraqis don't have dollars and you have to send shipments through Jordan. But there are other ways of doing business, like barter trade, and we have to be flexible."

The day when Iraq will be allowed to buy military equipment is far off. But the Indonesian embassy representatives at the Baghdad fair appear to be more confident.

They are displaying pictures of military helicopters. The Chinese, meanwhile, want to sell everything from construction materials and equipment for the disabled to chemicals for plastic production and men's ties.

The South Koreans also want a piece of any future action. The Jordanian representative of the Korean Trading Centre is in Baghdad for the first time since the Gulf war. He says Iraq, with its population of 20m people, and imports that once reached more than \$20bn a year, "has nothing and needs everything".

Being seen in Baghdad today is a sensitive issue and not all companies are happy to find foreign journalists at the fair grounds.

A Greek company says it has come to Baghdad "unofficially", and asks that its name not be reported because its interest in doing business in Iraq could jeopardise exports to the US.

The largest space at the fair is taken up by Turkish and Jordanian companies, which suffered most from the closing of the Iraqi market and are most likely to benefit from a partial lifting of sanctions under the oil-for-food deal.

Mr Huseyin Guner, export manager for Saray, a leading Turkish confectionery maker, says he believes the sanctions will be lifted in 1997 because Turkey and Iraq have endured enough.

"And if they are not, Turkey will not follow UN decisions," he says.

French carmakers could cut thousands of jobs

By David Owen in Paris

Peugeot Citroën and Renault, France's two main carmakers, are in talks with the government on proposals to cut thousands of jobs and reduce the average age of their employees through early retirement and other measures.

The government said yesterday that working group had been set up at the request of the two manufacturers, but refused to confirm newspaper reports that as many as 40,000 employees might be affected. The companies employ a total of more than 220,000 people in car production worldwide, the majority in France.

Both companies are under pressure to improve competitiveness and contain costs in the face of cut-throat competition from foreign manufacturers. Both reported sharp downturns in first-half profits, and Renault expects to incur a full-year loss.

Disclosure of the talks comes at a difficult time for the government, which is struggling to combat record unemployment of 12.6 per cent, while keeping the lid on public spending.

The opposition Socialist party yesterday joined trade unions in seeking to exploit the government's dilemma, saying the unconfirmed 40,000 figure was "a new worry for jobs". The French government retains a 46 per cent stake in Renault.

The decision to form the working group appears to have been triggered by a letter in July from the companies to Mr Alain Juppé, prime minister. Le Canard Enchaîné, the satirical newspaper, said the letter warned that the French car industry had to adapt to new conditions. It pointed out that half the two companies' employees would be more than 50 years old by 2000.

The talks are thought to focus on a law that offers state funding to companies placing older employees on part-time work, while hiring young people. This could help both companies reduce the average age of their workforces - 45 at Renault and between 42 and 43 at Peugeot.

Renault said that cutting both the average age of its workers and its overall number of employees was necessary for the future. The two companies had teamed up to talk to the government because of a "convergence of problems", it said. "What is at stake is our survival."

The two companies' shares moved in sharply diverging directions yesterday, with Peugeot climbing 2.12 per cent, to FF550 and Renault falling FF1.90, or 1.5 per cent, to FF121.

Kazakh crew blamed for air crash

Continued from Page 1

Saudia jet to climb to, and hold, a height of 14,000 ft, and the Ilushin to descend to, and hold, an altitude of 15,000 ft.

Both aircraft were flying towards each other in the same westerly corridor, pro-

tested by a 1000 ft gap - a routine practice near Delhi which Indian air traffic controllers contend, is acceptable to the International Civil Aviation Organisation whose rules govern air control standards.

Though Delhi air traffic controllers rely on 20-year-old

radar technology, which does not give the relative altitude of aircraft in its field, international airlines and pilots yesterday expressed overall confidence in their air traffic systems and procedure. Luftbansa and British Airways both fly daily to Delhi.

Heart drug gets support from study

Continued from Page 1

rarily suspended in advance of the announcement, Bristol-Myers Squibb shares traded normally. The drug trial was unusual

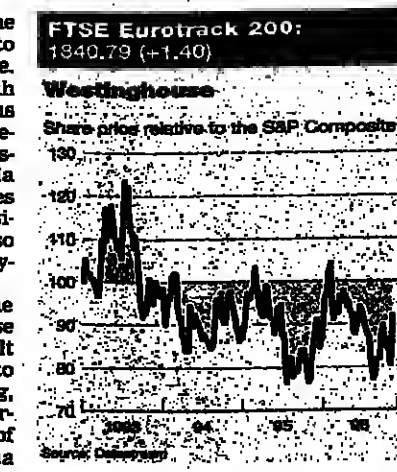
in its size - normally reserved for drugs already on the market - and in the way it took patients from three groups, those who suffered heart attacks, strokes or peripheral artery disease.

Clopidogrel works like aspirin, by interfering with the chemistry of blood clotting. But the precise mechanism differs and trials are being planned for a combination of the two.

FT WEATHER GUIDE Europe today Conditions will not be as unsettled as the last few days, during which Tangiers had 150mm of rain, but it will still be cloudy and wet over most of Europe...

THE LEX COLUMN Moving Westinghouse

So Westinghouse has become the latest old-fashioned conglomerate to hit the dust. And not before time. Over the years, shareholder wealth has been frittered away on dubious diversifications and poor management of its existing businesses.



Northern Electric - when previous bids in the sector have ranged between six and eight times. But in reality, although some conclude East Midlands should have held out for more, its negotiating hand was weak: had the Americans gone hostile at this price, they would almost certainly have won.

Still, both the manner of the break-up and the way Westinghouse has got there are questionable. It would have been more logical to spin off completely Thermo King, Westinghouse's gam of a refrigerated transport division, instead of leaving it partially yoked to the energy business.

A bigger doubt is whether it was desirable to pay premium prices to beef up Westinghouse's media business to prepare for the break-up. The group has spent nearly \$100m buying CBS, the broadcaster, and Infinity Broadcasting, a network of radio stations. True, these acquisitions will allow Westinghouse to deploy its past tax losses efficiently.

The only risk for investors now is a referral to the Monopolies and Mergers Commission. But assume that a referral would send East Midlands' share price back to 50p, and last night's 62 3/4p price implies a 30 per cent or so probability of referral. This looks overdone. It is, for instance, a higher discount than the market is applying to Northern Electric - where the referral risk is plainly higher. For the brave, East Midlands shares look an interesting punt.

respond. Copper is its benchmark product and LME prices form the basis for most pricing of physical copper. Given that the price of stocks is integral to the price-formation process, the integrity of the LME price is compromised by the existence of stocks not included in the Exchange's statistics.

If the LME is to be seen to be beyond reproach, it must ensure that it achieves a better understanding of the stock position in non-LME warehouses. It should also reveal details of the origin of stocks entering its warehouses, to assist in the corroboration of trade data. Without such steps, it risks attracting further criticism of the way it manages its affairs.

Crest Crisis, what crisis? That is the attitude of CrestCo, the company responsible for London's new electronic settlement system. But the notion that the backlogs in Crest are the fault of a handful of small stockbrokers which are having problems adapting to the new system is hard to believe. The big investment banks are also worried that the system cannot cope, even though it is far from fully loaded.

The effect of these revelations on the price need not be dramatic; rumours of large hidden stocks are not new, and there is evidence that the market price already factors some of these in. LME stocks have anyway fallen sharply to a six-year low, but the price has refused to budge. Even so, the LME must

E Midlands/Dominion The continuing herd-like rush of US bids for British power companies is a remarkable collective folly. Dominion Resources' bid for East Midlands Electricity is yet another case in point. East Midlands will continue to be run in the same way by the same management. Yet just to get control, Dominion is pointlessly paying a fatish premium over what East Midlands, on most fundamental reckonings, is worth.

The broader lesson is the need to pin accountability on managers of this sort of project. It is worrying that CrestCo is even now reluctant to guarantee service levels. If users had insisted right from the start on stiff penalties for failures to perform, CrestCo would have had a greater incentive to debug the system before switching it on. The Stock Exchange, which lost control of settlement following its disastrous attempt to build its own electronic system, must be taking quiet satisfaction from Crest's problems. Meanwhile, there should be red faces at the Bank of England, which gave birth to Crest.

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COMPANIES AND FINANCE: INTERNATIONAL

# Electricity unit lifts Veba

By Frederick Stüdemann in Bonn

Veba, the German industrial group, has announced a 14.7 per cent rise in pre-tax profits to DM2.8bn (\$1.6bn) in the first nine months, thanks largely to strong growth in its electricity business.

The company said the figures were well ahead of its expectations and that it was on target for significant growth in sales and profits for the full year. In 1995 Veba had pre-tax profits of DM3.83bn on sales of DM72.3bn. The shares rose DM4.95 to DM88.55.

The rise in net profits at the Düsseldorf-based group, which is Germany's fourth

largest industrial company, was even more marked, rising 25.2 per cent to DM1.22bn. Group sales increased slightly by 1.4 per cent to DM58.3bn.

In the electricity division, PreussenElektra, total sales fell 2.5 per cent to DM11.1bn. Veba said this was due to the drop in prices from the ending of the Kohleferien, a surcharge for the coal industry which was scrapped at the start of the year, taking with it DM300m in sales. In volume terms, however, there was marked growth thanks to an increase in electricity exports, largely to the Netherlands and Scandinavia, and the beneficial effects of a long winter.

The division's performance was also helped by the effects of rationalisation measures. Veba does not break down its profits by division but said there had been a "remarkable rise" in profits at PreussenElektra.

Veba's oil trading division recorded the strongest rise in sales, up 9.7 per cent on the same period in 1995 to DM12.8bn. Exploration and production had grown considerably and the division profited from a rise in oil prices, Veba said.

The telecommunications division, Vebacom, saw a 4.1 per cent increase in turnover to DM282m thanks to growth in corporate business. Vebacom made a "considerably

higher loss" in the first nine months, but the parent company said this was in line with planning as the division, which is being positioned for the liberalisation of Germany's telecoms market in 1998, was still in the process of being built up.

Veba's chemicals division, Hils, saw a 3.6 per cent drop in turnover despite a rise in the sale of silicon wafers.

In the general trading and services division, a drop in sales in the construction sector, which in Germany has suffered from a long winter and an overall slump in demand, was balanced by an increase in turnover in the group's international oil trading activities.



A one-piece jump-suit, part of the 1997 spring collection from John Galiano, Christian Dior head designer. The French fashion house yesterday posted sales up 2.9 per cent from FF21.17bn to FF21.79bn (\$4.5bn) in the nine months to September.

INTERNATIONAL NEWS DIGEST

## Teva to market Copaxone in Israel

Teva, Israel's largest pharmaceuticals company, is to market Copaxone, its multiple sclerosis drug, on the domestic market after it obtained approval yesterday from the Israeli health ministry, the first authority in Israel after launching the product in Europe nearly 18 months ago.

The move means Teva is poised to compete with Schering, the German pharmaceuticals group, which has been selling its own multiple sclerosis drug, Betaseron, in Israel after launching the product in Europe nearly 18 months ago.

It also means that Teva will now step up its efforts to seek approval from the UK and other European Union authorities once the US Food and Drug Administration gives the final go-ahead for Copaxone to be marketed in the US. Analysts said Copaxone could bring in additional revenues of between \$300m and \$400m in the next three years. Teva had sales of \$51.3m in 1995. The number of multiple sclerosis patients in Israel is estimated at between 2,500 and 4,000.

Judy Dempsey, Jerusalem

## Winterthur in Swiss shake-up

Winterthur, the Swiss insurance group, is to integrate its domestic operations under common management and transfer the business of its Neuchatel insurance unit into the group, resulting in 150 job losses. The group said the restructuring would be effective from January 1 1997. It was becoming increasingly difficult for its Neuchatel unit to continue to conduct insurance business with external sales outlets throughout Switzerland because of its small size, it said.

AFX News, Winterthur

## Dresdner sets direct targets

Dresdner Bank's new direct banking operation, to be launched next year, should produce an average net return of 15 per cent in the first 10 years on the DM150m (\$100m) of capital to be invested. Mr Heinz-Jürg Platzeck, a director, said. This included start-up losses. Break-even point should be reached in five years.

Mr Platzeck said the direct bank, with 170 staff, would serve European customers outside Germany when the euro was introduced as the single currency. The aim of the new bank is to attract about 500,000 customers over 10 years.

Andrew Fisher, Frankfurt

## CFF shares suspended

Crédit Foncier de France shares were suspended yesterday pending a ruling by the Paris appeal court on Caisse des Dépôts et Consignations' FF70 a share bid for CFF on behalf of the French state, the bourse authorities said.

AFX News, Paris

## Deutsche Bank branch revamp

Deutsche Bank is to streamline its regional organisation as part of a drive to cut costs and improve service. Its domestic branch network will be divided into eight main regions instead of 18.

Andrew Fisher

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

# Local brewing lifts SAB 20%

By Mark Ashurst in Johannesburg

South African Breweries yesterday announced interim results ahead of expectations, as local beer interests beat the downturn in consumer spending.

Pre-tax profits for the six months to September 30 increased from R1bn to R1.2bn (\$254.8m). Turnover rose 16 per cent to R17.2bn, despite slower sales at Edgars, the fashion retailer, and OK Bazaars, the supermarket chain.

Earnings per share were 14 per cent higher at 185 cents, against 163 cents a year ago.

The dividend was raised in line with earnings, from 57 cents a share to 65 cents.

Analysts said the results were slightly ahead of expectations, although these had been scaled down last week after a disappointing performance from Edgars.

The shares closed down 50 cents at R115.25, having earlier touched R116.50.

Mr Murray Winckler, of Ivor Jones Roy, the brokers, said SAB "had to show a reasonable result" after a \$413m international equity placing last month.

Mr Winckler said market sentiment was "fairly negative", and foreigners were

selling the new SAB paper back to South Africa.

The new shares were priced at R115, a discount of just over 4 per cent to the then market price of R120, and 14 per cent below the SAB share price before the placing was announced. The international issue had been forced by foreign exchange controls, which barred SAB from using rand to finance expansion in Poland, Romania and China.

Mr Roy McAlpine at Liberty Life, the insurer, said the share price had tumbled when local institutions, which were not able to take up the issue, anticipated the

"flowback" of shares.

Mr Nigel Cox, SAB finance director, said SAB could finance international operations from cash reserves and borrowing if exchange controls were lifted. Cash from operating activities topped R1.7bn during the period; net cash stood at R754m at September 30; gearing was 37 per cent.

Operating profits from local beer rose 17 per cent to contribute about 70 per cent of group profits, against 11 per cent from Africa, Europe and Asia. Other retail and consumer goods operations in South Africa, contributed 29 per cent.

# Consortium reforms to make bid for Creditanstalt

By Eric Frey in Vienna

First Austrian Savings Bank announced yesterday that it would make a bid for Creditanstalt with the same consortium that it left in September because of disagreements over the future management of Austria's second largest bank.

First Austrian said it had reached agreement with EA-Generali, the Austrian subsidiary of the Italian insurer, and the other consortium members, to submit an

offer to the Austrian finance ministry by tomorrow, when the latest deadline for the privatisation of Creditanstalt expires.

As no other bidder has stepped forward, Mr Viktor Klima, finance minister, is likely to accept the offer and bring the five-year saga of the Creditanstalt's privatisation to an end this year.

The consortium is believed to be preparing an offer of at least Sch10bn (\$948m) for just over 50 per cent of Creditanstalt's voting

stock. This falls short of Mr Klima's expectations - he had hoped to unload his whole 70 per cent voting stake - but it is more than the Sch6.5bn that EA-Generali and its partners offered after First Austrian left the group. Mr Klima rejected that earlier offer.

The size of the bid will be set at a consortium meeting today. It is expected to be based on Creditanstalt's stock price, which closed at Sch719 yesterday and values the 20m government shares at

Sch14.9bn. Earlier this week, First Austrian and its partners found a compromise on the disputed structure of a holding group for the savings bank and Creditanstalt.

First Austrian originally insisted on nominating the joint management even though it is far smaller than Creditanstalt. It also wanted to keep the two banks' operations relatively independent. In contrast, Creditanstalt and the other consortium members demanded a struc-

ture close to a full merger and a more limited role for AVS, the foundation that controls First Austrian.

Banking sources said that First Austrian got its way on the merger question but gave in on the issue of control.

It also offered to raise the cash portion of its bid from Sch2bn to at least Sch2.5bn. In addition, AVS will put 75 per cent of its First Austrian shares into the new holding group.

This announcement appears for purposes of record.

New Issue November 1996

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**Common Stock**

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*This portion of the offering was undersubscribed by the following U.S. Underwriters.*

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November 1996



COMPANIES AND FINANCE: EUROPE

# BASF upbeat despite third-term slip

By Andrew Fisher  
in Ludwigshafen

BASF, the German chemicals concern, yesterday reported a rise of 9 per cent in pre-tax profits for the first nine months to DM3.7bn (\$2.25bn), despite a weaker third quarter. It said the result for the full year should at least match that of 1995.

Mr Jürgen Strube, chairman, said this would put the group in a good position to move ahead in 1997. "We expect the revival of business in Europe to continue in the fourth quarter and in

the coming year." October's order inflow was well above the September level, he added.

The results were roughly in line with expectations, but the shares eased in early dealings - though later closing 28 pfennigs higher at DM11.60 - on the news that third-quarter pre-tax profits had slipped 2 per cent to DM1.05bn.

Sales in the quarter were 7 per cent higher, at DM11.85bn.

In the January-September period, sales were 3 per cent higher at DM36.12bn and the group said full year's sales

should rise at the same rate. Volumes improved 3.7 per cent in the first nine months but lower selling prices depressed sales 3 per cent.

Favourable currency trends had added 1.6 per cent, while the net effect of acquisitions - mainly Zeneca's dyes business and the pharmaceuticals activities of Boots of the UK - and disposals was to enhance sales by 0.6 per cent.

The company said the 1996 return on total assets would not quite reach last year's level of 11.2 per cent before tax.

BASF's target is an average return of at least 10 per cent over an economic cycle. In 1989, it reached 14.4 per cent, but Mr Strube said BASF would not return to this level next year.

The group planned to reshape its business portfolio further to improve its returns and be more resistant to cyclical trends, he said.

BASF would continue its policy of disposals to strengthen its position in Europe, while adding to its internally generated growth in other markets through acquisitions.

Mr Strube said the overall

restructuring of the chemical industry offered "considerable opportunities" for BASF.

It has recently announced a flurry of deals aimed at sharpening its performance. In addition, the group is investing heavily in Asia, where Mr Strube said sales and profits were increasing rapidly.

However, he stressed that BASF still regarded Europe as its home market. At present growth rates, it would take 15 years for Europe to be overtaken by Asia as the world's largest chemicals market.

# Investors shrug off 43% fall at MoDo

By Hugh Carnegie  
in Stockholm

Shares in MoDo, the Swedish pulp and paper group, rose sharply yesterday despite a 43 per cent fall in the company's profits in the first nine months.

Pre-tax earnings slid from SKr4.8bn at the same stage last year to SKr2.5bn (\$378m). Earnings per share fell from SKr36.10 to SKr18.80. But this was at the top end of analysts' expectations after a dismal year so far for the forestry industry caused by weak demand and falling prices.

Year on year, MoDo's third quarter profits fell by a bigger margin - from SKr1.7bn to SKr806m. But the result was ahead of profits in the second quarter and the company said demand and deliveries had risen during the third quarter.

The group's most-traded B share was up SKr3.00 after the results were announced, before ending the day up SKr3.00 at SKr181.

Nevertheless, the weaknesses in the sector were apparent in MoDo's result. It said currency hedging accounted for SKr1.4bn - or more than half - of the nine-month profit. The group's net currency flow is hedged to the end of the year, with further contracts extending into 1997. It acknowledged its underlying performance would be more exposed next year.

Mr Bengt Petersson, chief executive, also warned against over-optimism about a recovery in the sector, adding his voice to those saying there were mixed signals in the market about price and demand developments.

MoDo, a net seller of wood pulp, said prices for the commodity were "under some pressure".

MoDo said group sales dropped from SKr17.2bn to SKr15bn in the first nine months, leaving operating profits down from SKr4.8bn to SKr2.5bn.

Pulp prices slide, Page 26

## EUROPEAN NEWS DIGEST

# Pechiney warns on fourth quarter

Pechiney, the French aluminium group, warned that it expected a sharp deterioration in activity and earnings in the fourth quarter, which would produce a net loss for the second half. The first half of the fourth quarter was marked by a fall in aluminium prices and a mediocre trading environment for its drinks can activities. This, Pechiney said, had led to a fall of sales in the US and Europe, to the temporary halting of certain production lines and the shutdown of a drinks can factory in the US.

The group had previously warned that full-year results would be affected by exceptional provisions, and by the consequences for the group of a US lawsuit brought against its American National Can subsidiary. Group sales were FF49.05bn (\$9.68bn) in the nine months to September, compared with a pro forma FF51.05bn a year earlier. The year-earlier figure excluded turnover from activities sold in 1995, it said.

# Sales slide at Usinor Sacilor

## French sales

First nine months	Sales	FF bn	% change
Kipsta	111.2	-4.8	
Metvori	49.8	-0.4	
Bouygues	45.8	3.5	
Schneider	37.6	0.9	
Legardere	28	4.3	
Usinor	16	-10.4	
Sacilor	35.67	-11.4	
Moulinex	2.25	-2.6	
Separex	2.22	-102	
CCM	1.37	8.1	

Usinor Sacilor, Europe's biggest steel maker, yesterday reported a decline of more than 10 per cent in third quarter turnover as sales prices and volumes continued to fall. But the Paris-based company was relatively upbeat about prospects for the rest of the year and beyond, saying most prices had now stabilised, with some registering an improvement that was likely to continue into 1997.

These hints of a brighter outlook did not prevent the shares from slipping 1.5 per cent to FF78.60. The company said in September its second half results were likely to be "weaker than first-half figures" while remaining "clearly positive". Net attributable half yearly income slid 65 per cent from FF2.35bn to FF633m.

The strongest third-quarter price fall - of 16.8 per cent - was for stainless steels and alloys. Prices for flat products were down 3.7 per cent and those for special steels only 4 per cent.

The decline in volumes was most pronounced in the special steels product group, at 5.4 per cent. This compared with a fall of 2.3 per cent for stainless steels and alloys and 1.9 per cent for flat products. The overall third-quarter turnover decline was from FF18.09bn in 1995 to FF16.01bn.

David Owen, Paris

# Air France aims at break-even

Air France is maintaining its goal of breaking even in the 1996-97 financial year, despite the recent increase in fuel costs. In an interview in today's edition of Les Echos, the French financial daily, Mr Christian Blanc, chairman, also hints strongly that the state-owned carrier is interested in acquiring AOM, its regional rival. "How can Air France and its shareholder be indifferent to the fact that AOM might one day end up in British Airways' basket?" he asks. In addition, he suggests the airline's fleet development plans will include both Boeing of the US and Airbus.

David Owen

# Novo Nordisk up 14%

By Hilary Barnes  
in Copenhagen

Novo Nordisk, the Danish pharmaceuticals and enzymes producer, met expectations with a 14 per cent increase in pre-tax profits in the first nine months of the year. But the rise in net profits was kept to 11 per cent by higher tax.

Sales of insulin and diabetes care products rose 12 per cent to DKr5.57bn (\$967m). Strong growth in insulin pen injection products was a feature of the growth, said Novo Nordisk, while in the US sales of diabetes care products, measured in dollars, were ahead 10 per cent.

Total sales after nine months increased 4 per cent from DKr10.27bn to DKr10.72bn, but after allow-

ing for disposals sales increased 9 per cent - 11 per cent measured in local currencies - the group said.

Operating profits rose 12 per cent, from DKr1.57bn to DKr1.76bn, and net financial income by 58 per cent to DKr1.26bn, taking pre-tax profits from DKr1.65bn to DKr1.89bn.

The tax rate rose from 27 per cent to 29 per cent, which held the increase in net profits to DKr1.34bn from DKr1.30bn last year.

Earnings per share increased from DKr32.23 to DKr35.83. The company announced a share split, reducing the trading value of B shares from DKr20 to DKr10 per unit and the ratio of American Depository Shares from 1:4 to 1:2, with effect from January 2 1997.

Nordic sales of Seroxin, an anti-depressant, rose 30 per cent and licence income from international sales was DKr258m.

A new treatment for haemophilia, NovoSeven, achieved sales of DKr88m in the first nine months, and a new epilepsy drug, Gabitril, was introduced in Denmark this month.

Sales by the healthcare division, including insulin, increased 8 per cent to a total of DKr7.95bn.

Sales by the industrial enzymes division, in which Novo Nordisk claims to be the world market leader, were up 7 per cent to DKr2.57bn.

Novo Nordisk maintained its earlier full-year forecast of a 10-15 per cent rise in pre-tax profits.



# Incentive held back by strong krona

By Hugh Carnegie

Incentive, the Wallenberg industrial group remodelled to focus on medical technology, yesterday reported a 60 per cent rise in pre-tax profits due to one-off gains. But underlying earnings were flat, held back in part by the strength of the Swedish krona.

Pre-tax profits rose from SKr2bn at the same stage last year to SKr3.1bn (\$488m), lifted by non-recur-

ring gains of SKr2.6bn. Most of the one-time profits were accounted for by a SKr1.9bn capital gain from the sale in the third quarter of Skandnaviska Elverk, a power generator sold off as part of the restructuring of Incentive. Earnings per share were up from SKr22.65 to SKr35.21.

Operating profits for comparable operations fell slightly from SKr1.39bn to SKr1.35bn. There was a marginal fall

in operating profits in the medical technology division, now by far Incentive's biggest unit and made up of Swedish-based Gambro, one of the world's leading renal care specialists.

Gambro's operating earnings fell from SKr1.1bn in the nine months to September last year to SKr1.06bn in spite of a rise in sales from SKr7.6bn to SKr8bn.

But Incentive said Gambro's underlying earnings were up 10 per cent after

adjusting for negative currency effects and the write-down of goodwill on Gambro's acquisition in the US of the REN kidney treatment group. In the third quarter, Gambro's operating profits rose from SKr337m last time to SKr370m on sales up from SKr2.5bn to SKr2.65bn.

This helped group third quarter operating profits to rise from SKr411m to SKr479m. Incentive saw this as justification of its recent strategy to narrow its wide

industrial spread and concentrate on medical technology.

The other main operations in Incentive are the environment division, making air conditioning and similar products, and the materials handling unit. Operating profits in the former rose from SKr158m in the nine months to September last year to SKr207m, while profits in materials handling dropped from SKr116m to SKr48m.

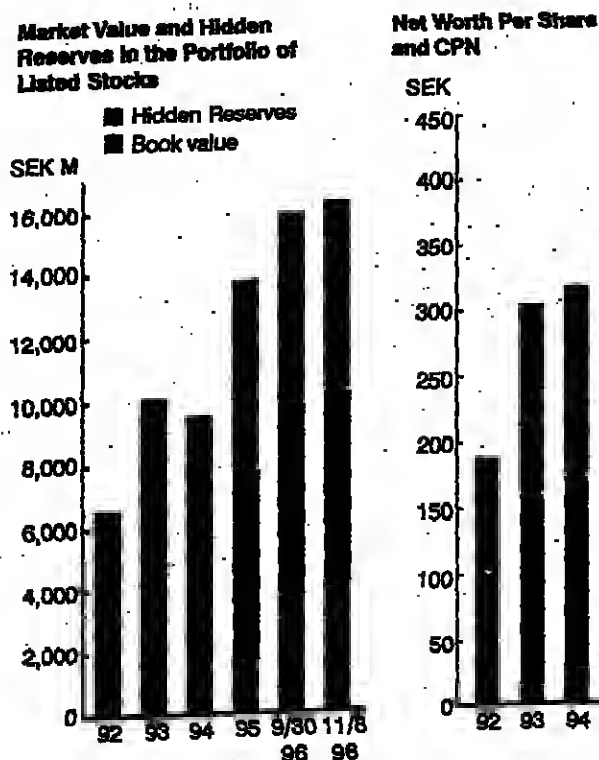
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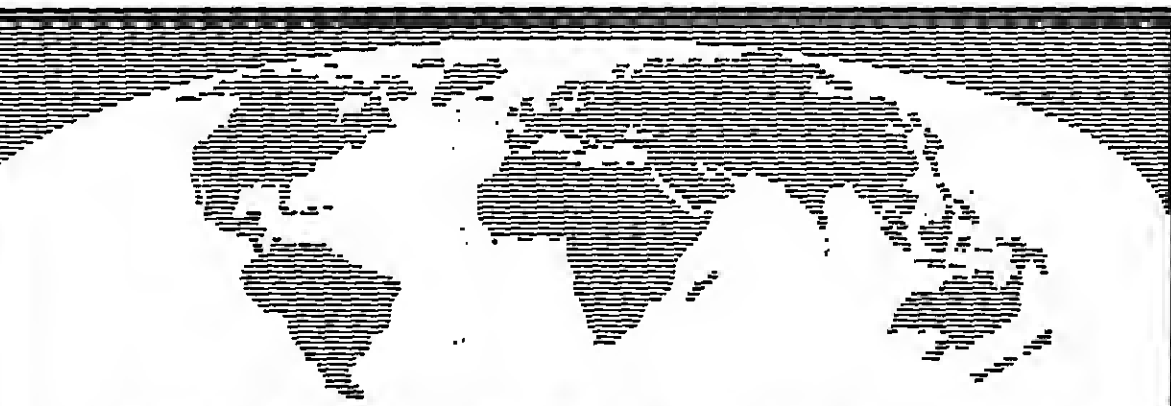
- Consolidated earnings after financial items totaled SEK 1,252 M (first nine months of 1995: SEK 810 M, including SEK 383 M from PLM). Capital gains on sales of listed stocks accounted for SEK 622 M (13) of this total.

- The value of the portfolio of listed stocks on November 8, 1996, was SEK 16,325 M. Adjusted for purchases and sales, the value of the portfolio rose by 25 percent since the beginning of the year. The General Index also rose by 25 percent during the same period.

- Net worth at November 8, 1996, has been calculated at SEK 411 per share and CPN.



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October 1996





**THE SOUTH AFRICAN BREWERIES LIMITED**  
(Incorporated in the Republic of South Africa)  
Reg. No. 691502/06

**ABRIDGED INTERIM REPORT**  
for the six months ended 30 September 1996

**Turnover**  
Grows by 16% to over R17 billion

**Attributable earnings**  
16% improvement for the six months

**Earnings and dividend per share**  
Up 14%

**Cash generated from operations**  
Exceeds R1.7 billion

**Gearing ratio**  
Reduces to 0.37

**Capital expenditure programme**  
R2.2 billion approved

**Prospects**

Ongoing volatility in local financial markets and the absence of any short term easing in interest rates or inflation will continue to undermine consumer confidence and strain disposable incomes. Notwithstanding these pressures, and providing consumer demand does not weaken significantly, the Group should still achieve real growth in earnings and dividends for the year as a whole.

**INTERIM DIVIDEND**

The Board has declared an interim dividend of 65.0 cents per ordinary share, on account of the year ending 31 March 1997, payable on or about 31 December 1996 to ordinary shareholders registered in the books of the Company at the close of business on 29 November 1996 (the record date). The Board has resolved not to award capitalisation shares.

2 Jan Smuts Avenue Johannesburg 2001 Republic of South Africa

Copies of the Interim Report, which contains full particulars of the dividend, will be posted to registered Shareholders and can be obtained from the London Secretaries, JCI (London) Limited, 6 St James's Place, London SW1A 1NR.

**COMPANIES AND FINANCE: ASIA-PACIFIC**

**Results vary in Japan rail sector**

By Gwen Robinson in Tokyo

Two railway companies that went public within three years of each other yesterday reported contrasting interim results, in spite of increased revenues.

East Japan Railway, known as JR East, announced a 3.3 per cent fall in unconsolidated recurring profit for the first half to September, to ¥85.98bn (\$922m), attributed primarily to early redemption of high interest-bearing corporate bonds. Revenue rose 1.2 per cent, to ¥986.91bn, while net profit edged up 0.6 per cent, to ¥34.98bn.

Mr Eiji Hosoya, managing director, said early redemption of the debentures, worth about ¥250bn with interest rates of 5 per cent or

higher, caused losses of about ¥20bn. The group has taken on new debt at lower interest rates.

Revenue from railway business rose 1.6 per cent, to ¥949.4bn, although revenue from other operations fell 8.3 per cent, to ¥37.4bn, because of weak sales at stores operated by the company.

Mr Hosoya noted strong growth in the number of commuters, which helped revenue from bullet-train services grow 2.5 per cent and that from Tokyo metropolitan subway lines increase 1.2 per cent.

In October 1993, the company became the first of the government's Japanese National Railways group to privatise after JNR was broken up in 1987. Investor interest in the public offering ran so high that the

stock launched on the market at ¥800,000, some 60 per cent above its offering price, and promptly plunged a week later.

Yesterday the stock fell ¥1,000 to close at ¥625,000.

For the full year to March, JR East expects a recurring profit of ¥103bn, up 0.8 per cent from a year earlier, and net profit of ¥58bn, up 1.0 per cent.

Overall revenue is projected at ¥1,960bn, almost unchanged from the previous year's ¥1,957bn.

In contrast, West Japan Railway, or JR West, reported that unconsolidated recurring profit for the first half rose 8.6 per cent, to ¥37.94bn, mainly as a result of strong performances in the company's railway, travel and shipping businesses.

Operating revenues rose 3.6 per cent, to ¥479.50bn, and net profit surged 45.9 per cent to ¥33.33bn, or ¥11,864.88 per share, up from ¥7,997.32 a year earlier, before the company's privatisation.

The second railway to be privatised, JR West launched modestly on the stock exchange in October, opening at ¥360,000 and ending its first trading day at ¥387,000 - just 2.8 per cent above its initial public offering price of ¥375,000. In yesterday's trading, JR West fell ¥1,000 to ¥373,000.

JR West said it would pay an interim dividend of ¥2,500, unchanged from a year earlier. For the year to March, JR West predicts recurring profit of ¥56bn and net profit of ¥36bn, on operating revenues of ¥960bn.

**Strong performance at Japanese office automation group**

**Ricoh increases profits by 25%**

By Daniel Böglér in Tokyo

New products, including an advanced range of digital photocopiers, high-resolution laser printers and a compact digital camera, were behind another strong performance at Ricoh, the Japanese office automation group.

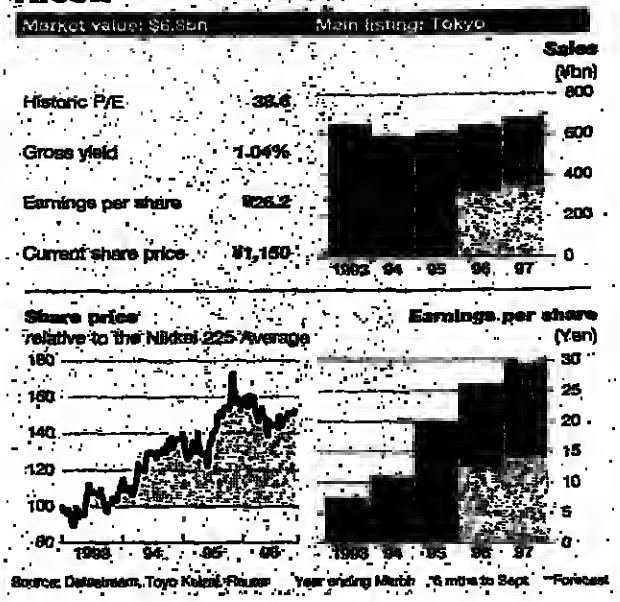
In the six months to September, Ricoh's ordinary profits, before tax and extraordinary items, increased by a quarter to ¥17.8bn (\$189m) on sales 6 per cent higher at nearly ¥337bn. Operating profits jumped 77 per cent to more than ¥20bn, helped by a combination of new higher-margin products and continued reductions in back-office costs.

Ricoh has carried out an aggressive restructuring programme over the past three years and its 6 per cent operating margin is now one of the best in the industry. The formerly mature photocopier market has received

a fillip over the past two years from the introduction of colour machines and digital copiers, which can be integrated with facsimile machines and printers and linked to computers on-line. Ricoh, though behind its main rivals Canon and Xerox in colour copiers, is Japan's leading producer of digital machines and has been a beneficiary of the market's return to growth. In the latest half-year, its sales of copiers, which make up 71 per cent of the total, grew by 8 per cent in Japan and 23 per cent overseas - helped by the weaker yen.

For the full year, Ricoh is predicting a 6 per cent sales increase to ¥633bn and an 18 per cent advance in pre-tax profits to ¥37.5bn. However, its consolidated results are likely to show slower growth due to the integration of Gestetner, the highly indebted UK copier distributor which it bought in September 1995.

**PROFILE Ricoh**



Analysts said that while the Gestetner acquisition would hold back short-term growth, it would help Ricoh to increase its international exposure, which at 28 per cent of total turnover lags behind Canon's 70 per cent. Ricoh also forecast it would pay ¥2 in special dividends to raise its annual dividend 20 per cent, to ¥12 a share. This amounts to a payout ratio of 40 per cent of earnings, which is unusually high for Japan and reflects the group's strong balance sheet.

**Metway Bank merger backed**

By Nikki Tait in Sydney

Shareholders in the Queensland-based Metway Bank yesterday gave overwhelming backing to a merger that will group the state's three largest financial institutions into one "mega-bank" with assets of around A\$18bn (US\$15bn).

Metway Bank - which had previously planned to merge with St George Bank, a New South Wales-based regional bank - was given almost unanimous approval by its shareholders for the acquisitions of SunCorp Finance and Insurance and Queensland Industry Development Corporation from the state government in return. Metway is issuing additional securities to the state government.

The government, in turn, is offering to buy out Metway's existing shareholders at A\$4.80 in cash - although directors are not recommending acceptance, given the current share price, which closed at A\$5.64 yesterday.

"Shareholders who choose to remain part of the merged entity will become investors in the leading Queensland financial institution, with strong market positions in banking and insurance," they said yesterday.

The relatively smooth vote yesterday will mean the new entity comes into being next month. However, the vote follows a fairly fraught six months, during which St George tried to continue with its own merger plan, and Bank of Queensland, in which SunCorp owns a significant stake, declined to join the state government's scheme.

Meanwhile, there was continuing political controversy yesterday over the extent of the job losses which might result from the merger, with opposition leaders talking of 1,500 jobs being shed.

The government did not deny that some restructuring would result, but claimed that the situation would have been worse had the St George deal proceeded. A chief executive for the new entity has also not been chosen, although Mr John Lambie, head of the merger planning group, said yesterday that an appointment was expected to be made by year-end.

**Disappointing debut for Anhui**

By Louise Lucas in Hong Kong

Anhui Expressway, a builder of highways in the eastern Chinese province of Anhui, saw its share price go into reverse on its trading debut in Hong Kong yesterday - in stark contrast to the market, which hit a new high.

The company's shares closed at HK\$1.58, down 19.6 per cent on the HK\$1.77

issue price. The Hang Seng Index, Hong Kong's benchmark, ended the day at a record 12,943.69, up 1.07 per cent.

The initial public offering of Anhui Expressway, which is the 22nd former state-owned Chinese enterprise to attain a Hong Kong listing through H shares, was barely subscribed and the price had been expected to fall.

The company raised some

HK\$872.6m (US\$113m) through the sale of 493.01m H shares. Of these, 15 per cent were sold in Hong Kong through an IPO and the balance placed out.

Anhui Expressway owns, operates and develops toll roads. It operates the 134km Hening Expressway, which is part of the Shanghai-Chengde trunk road, and will acquire a section of the north-south coastal trunk road next year.

Equity issues of road companies in Hong Kong are proving less popular in the current round of IPOs - in part because the sector has been tarnished by problems that have delayed the progress on Mr Gordon Wu's pioneering highway in southern China.

Analysts have also complained that some companies are too optimistic in their forecasts of toll revenues.

**PLN signs benchmark power deal**

By Manuela Saragosa in Jakarta

Indonesia's state-owned electricity company, Perusahaan Listrik Negara, yesterday signed a power purchase agreement for the first large-scale solicited coal-fired project since the landmark Paiton power agreements.

The power purchase agreement (PPA) for the 400MW plant in West Java is expected to set a new benchmark for coal-fired projects in Indonesia.

PLN has agreed to buy electricity at US\$0.066 per kilowatt hour for 30 years from Dayalistrik Pratama, a consortium 45 per cent

owned by Italy's Ansaldo Energia.

Sachsen Holding, a subsidiary of NRG Energy of the US, has a 45 per cent stake in Dayalistrik, while Indonesia's Fenergi Cipta has 10 per cent.

Fenergi Cipta is controlled by Indonesian timber tycoon Mr Mohammad Hasan, a close associate of President Suharto.

Dayalistrik's price is significantly lower than the PPA's sealed for the coal-fired Paiton I project, Indonesia's first private power "experiment", which set a rate of US\$0.086 for the first six years, coming down eventually to US\$0.064.

The Siemens-led consortium that concluded the second phase of the Paiton project agreed to sell power to PLN at US\$0.0693 per kilowatt hour.

Separately, Mr Djiteng Marsudi, PLN's president director, played down concerns over PLN's short-term debts following a report that BPPK, the state-owned auditing agency, had downgraded its rating on PLN to "unhealthy" because of cash flow problems.

Mr Marsudi said that although PLN's short-term debts now amount to Rp1,200bn (\$14m), the company's assets were worth Rp50,000bn, and PLN

intended to proceed with its plan to list two of its power generating units.

PLN's cash flow problems have not deterred unsolicited private power projects from pouring into the country, however.

Several projects have yet to be signed, including the Java-based Tanjung Jati-A coal-fired 2 X 600MW and Cilacap 400MW plants, and the Serang 400MW plant in west Java.

Construction of the West Java plant is expected to start in the first half of 1997, with completion set for 1999. Financial closure is scheduled to take place next year.

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COMPANIES AND FINANCE: ASIA-PACIFIC

# Thai banks increase profits

By Ted Bardacke  
in Bangkok

Two leading Thai commercial banks reported higher third-quarter net profit figures yesterday, and highlighted the different strategies they are employing to withstand the country's economic downturn.

Thai Farmers Bank, the country's third-largest bank, said third-quarter net profits rose 7 per cent year-on-year, to Bt3.18bn (\$125m). Nine-month profits of Bt9.37bn were 8.8 per cent higher than those for the first nine months of 1995.

Siam Commercial Bank, Thailand's fourth-largest bank, said third-quarter net profits were up 17 per cent, to Bt2.3bn, while nine-month profits rose 15.5 per cent to Bt6.83bn.

Both sets of results were in line with analysts' expectations. The figures show that while Thai Farmers Bank is increasing provisions to deal with rising non-performing loans and maintaining some of the highest margins in the industry, Siam Commercial Bank is attempting to outgrow the Thai economy, building up assets at the expense of mar-

gins and choosing profits over provisions.

Thai Farmers increased its provisions 64 per cent in the third quarter to Bt700m, which together with declining income in other areas affected its bottom line.

The bank's core business remains strong, with margins improving in the first quarter of the year, from 4.5 per cent to 4.7 per cent, one of the highest in the industry.

Thai Farmers also increased loan growth in the quarter to 13 per cent year-on-year, the highest growth in the year so far.

Siam Commercial Bank did not release a full balance sheet, but Mr Philip Gawsawadikul, banking analyst at HG Asia, said that while non-performing loans as a percentage of total loans were estimated to have climbed to just above 4 per cent, provisioning levels remained steady, allowing the bank to post higher profit growth.

Margins also increased in the third quarter, to nearly 8.6 per cent.

Siam Commercial's loan growth of an annualised 26 per cent continued to be the highest in the industry.

# Toshiba sells stake in chip venture

By Michio Nakamoto  
in Tokyo

Motorola, the US semiconductor and telecommunications company, has acquired Toshiba's 49.95 per cent stake in a semiconductor distribution joint venture established by the two companies in Japan seven years ago.

The US company decided to acquire all of Nippon Motorola Microelectronics (Nimnee) in order to gain greater access to the Japanese market.

It added that the initial objectives of the joint venture had been achieved. The move indicates greater confidence among US companies in the Japanese market, where the share of foreign semiconductor makers has increased from about 9 per cent in 1986 to more than 30 per cent this year, according to the Electronics Industries Association of Japan.

Nimnee was established in the heat of trade friction between the US and Japan over the difficulties faced by foreign semiconductor makers trying to break into the Japanese market.

In 1987, the US imposed 100 per cent tariff increases on Japanese-made PCs and other products, on the grounds that Japan had violated a bilateral agreement concluded in 1986 to improve foreign access to its market and prevent Japanese dumping of semiconductors in the US.

Against this background, the initial goals of Nimnee - which distributed both Motorola brand semiconductors and Toshiba brand semiconductors made at a joint-venture plant in Japan - were to help Motorola sell its products to the Toshiba group and to other Japanese companies.

However, Motorola decided that, with Nimnee's sales rising to more than ¥10bn (\$90m) last year, the joint venture had achieved its initial objectives.

The manufacturing facility that Motorola has established with Toshiba in Japan - Tohoku Semiconductor, which produces about 9m semiconductors a month - will remain as a joint venture.

# Yamaha Motor surges

By Daniel Böglér in Tokyo

Yamaha Motor, the world's second largest manufacturer of motorcycles, more than tripled recurring profits to ¥4.6bn (\$40m) in the six months to September, largely due to strong export demand for motorcycles and the positive effects of the year's depreciation.

Sales rose 8 per cent to ¥246bn. Net profits nearly doubled to ¥1.6bn, but the group is leaving the interim dividend unchanged at ¥3 a share.

For the year to next March, Yamaha Motor is projecting recurring profits of ¥5.5bn, up 49 per cent, and a 6 per cent increase in turnover to ¥495bn.

The company said single domestic demand for motorcycles was being offset by strong sales in Europe, while the special vehicles division was doing well due to strong demand for snowmobiles in North America.

Yamaha Motor is 33 per cent owned by Yamaha Corporation, the world's biggest maker of musical instruments.

# China shown secret ingredient



Chinese schoolchildren, part of a market of 1.2bn consumers, queue for a drink of the increasingly popular Coca-Cola

# Marketing has helped Coca-Cola overcome initial buyer resistance

Mr John Farrell, president of Coca-Cola China, likes to attribute Coca-Cola's success in China to the magical properties of the American soft drink, though its achievements have not come easily.

"It's a unique product. There's nothing like it," says Mr Farrell of the brown-cold drink which many Chinese thought tasted like cough mixture when it was launched on the market. Coca-Cola re-entered China in 1979 in a blaze of publicity after Sino-US relations were normalised - but it took until 1990 for the company to make a profit out of its China operations. Now it appears to have reached "critical mass".

Coca-Cola announced last month it was tripling the size of its Hangzhou bottling plant to serve 40m potential customers in Zhejiang province south of Shanghai. This follows the opening of the company's 18th bottling plant in China, in the city of Harbin in north-eastern Heilongjiang province.

By the end of next year,

Coca-Cola aims to have 23 plants operating in China, with a total investment of \$500m and access to about 80 per cent of the country's 1.2bn consumers.

Sales this year have already passed last year's, with some 200m cases - the equivalent of nearly 5bn bottles of Coke or just under five bottles per person - sold in China. Total sales last year were about 187m cases.

To overcome initial buyer resistance to the "strange-tasting" product, Coca-Cola's main investment has been in marketing. "The real investment in this type of business is marketing, advertising and promotion," says Mr Farrell.

Spending on advertising has doubled this year, and will double again next year, but Coca-Cola executives are coy about details. Television has been one of the most effective ways of promoting Coke or "Ke Kou Ke Le" as it is known in Chinese

(which translated literally means "Delicious and Happiness").

The company's biggest success has been in Shanghai, where annual per capita consumption of Coke is 45 bottles, and Coca-Cola expects to pass the 100 mark within a few years. In the US, average annual consumption is 300 bottles per person.

The Harbin plant is part of an attempt to win markets beyond China's prosperous coastal provinces. China's north-east industrial heartland is relatively depressed.

Next year's four scheduled plant openings will be in inland provinces. Coca-Cola tailors its products for different parts of China. In big cities, the company markets the full range of Coca-Cola products - including Fanta, Diet Coke and Sprite. Elsewhere, the focus is on Coke itself - and the bulk of sales are in the form of returnable glass bot-

les, rather than the more expensive aluminium cans. However, with 96 per cent of materials sourced locally, a bottle of Coke is within reach of a large percentage of consumers, including those from poor inland provinces. Nationalist rumblings in China do, however, cast a shadow over Coca-Cola's ambitious plans. The company's success in displaying its distinctive logo around the country and its leading share of the carbonated soft drinks market - 22.8 per cent last year - has made it a target for campaigns against Chinese homegrown products being swamped by foreign companies.

In response, the company has complied with a government request that it should do more to help the Chinese soft drinks industry. It now has about eight local brands through joint ventures in China. "We have a goal that about 30 per cent of our products should be indigenous Chinese products," Mr Farrell says.

PeppiCo page 22  
Sophie Roell

# Management reshuffle at Swire

By John Ridding  
in Hong Kong

The Swire Group and Cathay Pacific, the Hong Kong-based airline in which it holds a controlling stake, yesterday announced several senior appointments which mark a step towards increased localisation of the carrier's top management.

In a related reshuffle, a Swire executive has been appointed to the top operating post at Dragonair, the regional carrier with a large mainland Chinese shareholder that was the subject of a strategic ownership restructuring earlier this year.

Under the reorganisation,

Mr Peter Johansen becomes finance director of the Swire Group in Hong Kong. He is replaced as finance director of Swire Pacific, the locally-listed arm of the UK-controlled conglomerate, by Mr Simon Heale, deputy managing director of Cathay Pacific.

This clears the way for the appointment of Mr Philip Chen to the number two slot at Cathay. Mr Chen, who is currently the chief operating officer at Dragonair, is tipped as an eventual successor to the top post at Cathay.

Mr David Turnbull is set to take the top job, following Mr Rod Eddington's move to Ansett. The Australian air-

line. His resignation in September triggered the upheaval at Cathay.

At Dragonair, which is 36 per cent owned by China's CNAC, Mr Chen is replaced by Mr Stanley Hui, the chief operating officer of Air Hong Kong. The cargo carrier is a subsidiary of Cathay, which succeeded Mr Hui to the post.

Aviation analysts welcomed yesterday's moves. "It secures a line of succession in the future at Cathay," said one. "More important, it keeps a Swire person at the top of Dragonair."

In his view, this will help ensure co-operation between Cathay and CNAC and reduce the potential for dis-

putes between the shareholders, which also include Citic Pacific, the Hong Kong arm of Beijing's flagship investment vehicle.

Following the restructuring of Dragonair earlier this year, in which Swire and Cathay reduced their controlling stake, there were fears of competition between the two main Hong Kong carriers and of future friction between Swire and its mainland partners.

The appointments take effect between February and April next year, with the exception of the change at the top of Cathay, which takes effect at the beginning of next month.

## Essential Hotel Guide

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COMPANIES AND FINANCE: THE AMERICAS

Pepsi launches attack on Venezuela market

By Raymond Colift in Caracas

Pepsi-Cola yesterday launched an offensive to recapture the Venezuelan soft drinks market by forming an alliance with the country's largest food and drinks group, Empresas Polar.

where Pepsi had an edge in sales over its competitor. Earlier this month, Mr Roger Enrico, PepsiCo chairman-elect, said "there have been important problems in Latin America" and that "no doubt mistakes have been made".

largest beer brewer with an estimated 80 to 90 per cent market share, said the new soft drinks operation would remain entirely separate from its brewing and distribution facilities.

central Venezuela, moving to cover the remainder of the country from next year. Empresas Polar last year had sales of \$1.8bn, of which about 60 per cent came from the sale of beer.

group violates anti-monopoly laws. Pepsi says that Coca-Cola and the Cisneros group hold 98 per cent of the market, including the Hit brand-name soft drinks.

AMERICAS NEWS DIGEST

Flow into US equity funds slows

Net cash flow into US equity mutual funds, widely regarded as the key to the sustained stock market rally of the past two years, appears to have slowed substantially last month.

The current level is high in historical terms, and is comfortably ahead of the \$9.6bn inflow recorded in October last year.

Mr John Rea, the institute's chief economist, said anecdotal evidence suggested the slowdown was greatest for funds investing in US equities, rather than for international funds.

A sharp change of direction at Westinghouse

The US has been treated to two very different styles of corporate restructuring this week - the choice between cutting companies down or cutting them off.

Not coincidentally, perhaps, Mr Dunlap himself was heard to muse not long ago that he could do a quicker and more effective job of sorting out Westinghouse than its current management.



Michael Jordan: set for new career as media baron

His reward: Westinghouse's shares have finally climbed out of the basement this year, trading at 11 1/2 yesterday lunchtime, compared with the \$12 level at which they had been stuck for much of his time at the helm.

Shedding the last of the industrial units was the latest attempt to revive interest in the stock, presenting Wall Street with a new, pure media company in which to invest, unencumbered by the legacies of the past.

ness has been beset by fierce competition from more efficient producers such as General Electric. Leaving aside Thermo King, the industrial unit will generate \$250m cash on \$4.5bn of sales next year.

As yet it is too early to judge whether Mr Jordan will make a good media baron. CBS, the weakest of the US's three big television networks when he bought it, has started the autumn season on a stronger note.

On Tuesday, Mr Albert Dunlap, a man who has revealed in his reputation as the foremost "corporate killer" in the US, demonstrated the blunt method. Hired in June to sort out Sunbeam, a consumer products company, he announced plans to sell or close large parts of the company, in the process halving its 12,000-strong workforce and reducing its product line by 85 per cent.

Mr Jordan, who has been advised by J. P. Morgan, is now close to finishing the job. As expected, the company said yesterday that it planned to spin off what remained of its traditional industrial businesses into a separate company, leaving it a pure media organisation - a job that would take about nine months to complete.

proved too deep-rooted. "I don't think anyone realised - including Mike and his management team - how ghastly this was," one said yesterday.

Microsoft is seeking to spread its Explorer browser among individuals by distributing it without charge, and through deals with companies such as BT, to challenge Netscape's dominance of the corporate market.

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Electrolux plans Brazilian shake-up

By Hugh Carnegie in Stockholm

Electrolux, the household appliances group, is planning to consolidate its Brazilian operations by merging its subsidiaries with Refripar, the country's second largest white goods manufacturer, which is controlled by the Swedish group.

per cent of the voting rights in Refripar. Electrolux spent \$50m buying into Refripar earlier this year in an effort to step up its operations in Brazil where Whirlpool of the US, its biggest worldwide rival, is market leader, through its local affiliate Brasrotor.

Alliance puts pressure on Netscape

By Nicholas Denton in London

Microsoft, the leading software company, is set to make further inroads into Netscape Communication's dominance of the market for Internet software, after unveiling yesterday an alliance with British Telecommunications and MCI.

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Conrail turns down Norfolk

Conrail, the Pennsylvania-based railway company at the centre of a bidding war, yesterday formally recommended its shareholders not to accept the latest hostile offer for the company from Norfolk Southern.

Conrail said it had been in discussions on a possible increase in the terms of CSX's offer, but said: "There can be no assurance as to when or if any such modifications will be made."

Campbell Soup ahead 14%

Campbell Soup yesterday reported record sales of just over \$2bn for the first quarter of its financial year, up 3 per cent on the same period of the previous year.

"Record results were driven by the powerful combination of 11 per cent higher sales in worldwide wet soup along with strong gains in productivity," said Mr David Johnson, Campbell chief executive officer, adding that margins had improved as a result.

As previously announced, the company took a special charge of \$160m to cover restructuring costs, including plant closures and asset sales. This brought net income down to \$88m and earnings per share to 98 cents.

Sherritt offering raised

A \$300m debenture offering by Canada's Sherritt International Corporation, which plans to expand its investments in Cuba, was increased to \$675m after the underwriters exercised an over-allotment option of \$375m in response to market demand.

Sherritt said it would use the proceeds of the offering to finance capital projects, including new investment possibilities in Cuba in the sugar industry, petroleum refining, real estate and communications.

Canada's Four Seasons Hotels has linked with the Indian developer Leela Group to open new luxury hotels in Bombay and Bangalore, and refurbish a resort in Goa.

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6,272,000 Shares Tularik Inc. A Biotechnology Company Developing Oral Drugs That Regulate Gene Expression South San Francisco, California Series F Preferred Stock Price \$10.00 Per Share The undersigned acted as financial advisor to Tularik Inc. Hamilton Capital Limited Hamilton, Bermuda formerly Mercury Capital Limited Hamilton, Bermuda

European Investment Bank IRL 9,000,000,000 Debt Insurance Programme Series No. 3 Tranche No. 1 IRL 200,000,000 10.75 per cent. Transformable Fixed Rate Notes due 1998

Table with columns: Series, Security, Title, Maturity, ISIN / CUSIP, and Province of Ontario. Lists various securities and their details.



COMPANIES AND FINANCE: UK

BZW re-jigs London forex

By Simon Kuper

The London foreign exchange operations of BZW, the investment bank of Barclays, and NationsBank, are being restructured in the latest sign of turmoil in the industry. Seven currencies traders have been released and two leading foreign exchange executives have resigned from BZW. The investment bank, in addition, NationsBank, the US bank, said yesterday it was reducing staff numbers in its London currencies operations by 20 and was continuing to consolidate functions in Chicago. Its currencies activities in London were "aligned with current NationsBank client activity".

Both shake-ups are symptomatic of the recent poor performance of the currencies industry and the resulting changes. Mr Alex von Ungern Sternberg, head of treasury products, and his appointee Mr Peter Moeritz, head of foreign exchange trading for the UK and Europe, resigned from BZW. Both were recent arrivals from Deutsche Bank.

Mr Robert Diamond, head of global markets, told staff in an internal memo that after restructuring "the role for Alex going forward was substantially narrower than the position for which he was initially recruited in July last year". It is thought that Mr Diamond had taken over some of Mr von Ungern Sternberg's responsibilities. BZW said yesterday that it had reviewed its global markets business but was "not pulling out of any areas of business". The bank is thought to be the 10th largest in the world in terms of foreign exchange turnover.

Mr Paul Thrush, a 20-year veteran of the currencies business, is moving from Nations to become BZW's head of global foreign exchange.

With low volatility in the main exchange rates, and screen-based systems taking over much market making work, most major banks are thought to have had a poor year in their currencies businesses.

Traders are particularly under threat, as most banks are trying to shift into higher margin sales and risk analysis. In recent weeks HSBC Markets has closed down its foreign exchange market making operations in New York and Bank of America has released 30 employees, saying that "a good proportion were from foreign exchange, and they were mainly traders". Bank of America said yesterday: "We were adjusting to reflect structural changes in the markets, such as tight margins and limited volatility."

Simon Holberton analyses the regulatory issues involved in the Dominion bid

Trying to switch off investors' worries

Regional electricity companies

Successful bids

Rec	Bidder	Price (£bn)
East Midlands	Dominion Resources (US)	1.3
North West	Powergen	1.5
Yorkshire	Powergen	1.2
South West	Powergen	1.2
Central & South West (US)	Powergen	1.2
South East	Powergen	1.2
South West	Powergen	1.2

Current bids

Rec	Mkt Cap (£bn)
East Midlands	1.3
North West	1.5
Yorkshire	1.2
South West	1.2
Central & South West (US)	1.2
South East	1.2
South West	1.2

Remaining independents

Rec	Mkt Cap (£bn)
East Midlands	1.3
North West	1.5
Yorkshire	1.2
South West	1.2
Central & South West (US)	1.2
South East	1.2
South West	1.2

Notes: Bid by Powergen blocked by government. Bid by Yorkshire House defeated 100/0. Current bid holder. Bid by National Power blocked by government. Source: FT research

mounted for regional electricity companies by US predators and approved by Mr Lang and his predecessors. In all previous cases, Prof Stephen Littlechild, director general of Offer, the industry regulator, was able to satisfy himself that the foreign owners of the recs were able to live up to their licence obligations. This entailed "ring fencing" the regulated parts of the recs' businesses. One Offer official explained yesterday that this was

confident that it allayed any latent concerns by the regulator about its financial strength. There is nothing in the past recommendations of Offer or the OFT to suggest they will raise objections to CalEnergy's bid. In the past they have only argued for an MMC reference when a bid posed issues of competition and industry structure.

This was the case with Scottish Power's bid for Manweb and with the bids by two generators, PowerGen for Midlands Electricity and National Power for Southern Electric. In the case of Scottish Power, Mr Lang ignored official advice and approved the bid; with the generators he again ignored advice and denied the bids on competition grounds.

Dominion Resources' case for approval is even stronger than CalEnergy's. There do not appear to be any questions about its ability to finance its bid for East Midlands. However, like CalEnergy's bid for Northern, the East Midlands bid is financially driven: both targets throw off far more cash than the interest needed to service the debt to acquire them.

Another issue concerning investors is that of "comparators" - the yardsticks by which regulators compare companies within their sector. In the spring, Mr Littlechild told City analysts that he needed to have a number of quoted companies to properly make comparisons - though he did not spell out the precise figures.

He needs a representative number quoted to enable him, through their share price data, to make calculations of cost of capital. If the two bids succeed, there will remain only three quoted recs, which may be bumping up against his limit. Against this, however, Mr Littlechild this week told the Commons public accounts committee that there was a good deal of agreement between regulators about the cost of capital for utilities.

Mr Ian Byatt, the water industry regulator, has argued against horizontal mergers in the water sector as this would deprive him of comparators when trying to assess efficiency. However, two electricity bids involve only a change of ownership rather than an industry rationalisation. The prospect of nearly half the recs being owned by American companies has led to speculation that the Government might refer the bids. But this is unlikely to weigh heavily on Mr Lang, and he is under no pressure from the Labour party on this score. As Mr John Battle, Labour's shadow energy and industry spokesman observed: "Labour has no opposition in principle to overseas takeovers".

Hambros to retain capital for expansion

By John Gapper, Banking Editor

Hambros, the UK merchant banking group, intends to defy a call to hand capital back to its shareholders because it wants to be free to expand asset management and other operations, senior directors said yesterday.

Sir Chips Keswick, Hambros' chief executive, said the bank wanted to retain its strong capital base so that it could buy a small fund management firm, or expand in other ways, if a suitable opportunity emerged in the future.

Sir Chips, who is to become the first non-family chairman next year when Lord Hambro steps down, spoke as the bank disclosed a recovery in pre-tax profits in the six months to September 30 to £38m, compared with a loss of £7.7m.

"We want to use our capital in an entrepreneurial way. The less capital you have, the less entrepreneurial you can be," Sir Chips said. He emphasised that any acquisition in asset management was likely to be on a modest scale. Hambros's strategy has been heavily criticised by Regent Pacific Fund Management, a Hong Kong-based investment fund which has called for the business to be broken up, and for capital to be returned to shareholders. The interim dividend is maintained at 2.5p, as earnings per share

increased to 7.2p (10.9p loss). Profits were boosted by a fall in bad and doubtful debt provisions to £5.9m from £23.5m in the same period last year.

Expenses were held at £203m (£202m), with staff numbers in the banking group having fallen from 2,000 to 1,600 over the past 18 months. Up to a further 100 staff are expected to leave, giving annualised cost savings of £5m.

The strongest performance came from the bank's investment group, which realised profits from investments including the Thorn Security buy-out from Thorn EMI. Investment group profits before tax rose to £20.4m (£13.2m).

Hambros has implemented a restructuring in its banking arm since dipping into loss, and has reduced unstructured lending and some types of derivatives trading. These helped banking group profits to rise to £4.1m (£7.6m loss).

Mr Michael Sorkin, deputy chairman, said that it wanted to expand in fund management, and might follow its strategy in Australia and Canada of joint ventures. However, he said it would ideally seek a larger strategic move.

Lord Hambro said that the group was "regaining momentum" although profits in the investment group in the second half were unlikely to match the first. HIS shares closed 7 1/2p down at 245p.

Land Securities finds rise in demand

By Simon London, Property Correspondent

Land Securities, the largest UK property company, with assets in excess of £5bn, has identified a clear improvement in demand for commercial property from both occupiers and investors.

Sir Peter Hunt, chairman, said: "Whilst patchy, there are signs of rental growth in selected sectors of the market, with the anticipation of more to come."

Following these positive comments from the bellwether of the property sector, the shares rose 7 1/2p to 789p, although most analysts left forecasts for year-end net assets unchanged at about 740p.

Property shares have outperformed this year, as investors have anticipated growth in rents and property values after the property market crash of the early 1990s. Sir Peter identified rental growth in out-of-town shopping centres, well located high street stores in big towns, and modern offices.

"It is nothing like the growth of the 1980s," he cautioned. His comments came as Land Securities reported a 9 per cent rise in pre-tax profits to £128.8m in the six months to September, helped by a £13.4m gain on sales of investment properties. Revenue profit, excluding one-off items, declined from

£118.2m to £115.5m. Net interest charges increased from £68.2m to £73.1m, reflecting speeding on its £400m development programme. Land Securities is unusual among large property companies in charging all its debt service costs against profits rather than capitalising interest against developments. The company spent £78.8m on developments in the period and expects development expenditure to peak at more than £90m in the second half.

Its largest single project is the White Rose Shopping Centre near Leeds, which will be one of the largest out-of-town shopping complexes in the country. Land Securities spent £80m acquiring investment properties, including the 360,000 sq ft Team Valley retail park, south of Newcastle upon Tyne. Disposals raised £160m. The largest deal was the sale for £100m of a large office building at 33 Grosvenor Place, central London.

Disposal proceeds have been used to repay debentures and bank facilities. Early termination of interest rate swap arrangements will lead to a 27m charge in the second half. Earnings per share advanced from 18.49p to 18.44p. Adjusted for capital items, earnings declined to 16.17p. The interim dividend is 7.35p, an increase of 3.5 per cent.

RESULTS

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividend Corresponding dividend	Total for year	Total last year
ABF Leisure	92.4 (85.3)	5.04 (4.22)	10.2 (8.7)	3.47	Dec 31	2.93	4.80	4.85
Barrick	16.3 (17.3)	0.652 (1.28)	0.78 (1.75)	0.5	Jan 24	0.5	-	1.3
Chapel Hill	18.6 (17.1)	2.96 (2.53)	12.02 (10.25)	0.9	Jan 21	-	-	-
Compass	6,525.1 (6,356.1)	4.57 (4.1)	46.2 (42.1)	-	-	-	22.25	5.5
Crucible	34.4 (30.5)	1.49 (2.04)	151 (20)	3.85	Dec 19	3.5	6.05	5.4
Dixie (Home)	256.6 (226.3)	12.54 (13.1)	5.97 (10.21)	3.34	Jan 19	3	5	4.5
Home	-	-	7.2 (10.9)	2.5	Dec 23	2.5	-	7.5
Land Securities	201.1 (198.4)	128.8 (116.1)	18.44 (18.49)	7.35	Jan 9	7.1	-	26
Moat	14.7 (15.1)	0.252 (0.26)	11 (11.1)	-	-	-	-	-
Nations	85.5 (89.5)	0.32 (0.16)	15.2 (12.4)	7.25	Feb 4	7	-	20
Voies	568.5 (544.3)	88.2 (75.3)	13.2 (11.2)	1.85	Jan 2	1.65	6.6	6.6
Watts Carron	38.1 (37.5)	2.48 (2.57)	12.85 (13.11)	7.35	Dec 13	7.35	-	15.2

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. \*Pro forma. \*\*After exceptional charge. †After exceptional credit. \*Comparatives restated. †Premium income. ‡In increased capital. ‡In stock. ‡Foreign income dividend. ‡Net rental income. ‡In currency. ‡Fourth interim. ‡Second interim. ‡In 5p to date. ‡First interim.

Lasmo plans 12% rise

By Jane Martinson

Lasmo became the London stock market's best performer yesterday after the UK's second largest independent oil explorer made a five-year production forecast for the first time.

The shares rose 9 1/2p, or 5 per cent, to close at 211p after Mr Joe Darby, chief executive, said the company was confident of achieving a 12 per cent production increase next year to

200,000 barrels of oil a day. Existing fields and discoveries under appraisal would enable this level of production to be maintained until 2001, he added.

The forecast took no account of further discoveries or new business. Production in the first half of this year rose slightly to 172,000 barrels a day. Output would have been higher but the group encountered problems in its Liverpool Bay field.

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LEX COMMENT

Land Securities

By its usual glum standards, Land Securities sounds remarkably chipper. The UK's largest property company talks of increased rental demand, and expects more to come.

And since rental yields on property continue to exceed gilt yields because property values have fallen even more than rents, the knock-on effects could be exciting. The problem is that Land Securities investors are unlikely to get much benefit. The shares already trade at their estimated year-end net asset value, in a sector where 15 per cent discounts have been the traditional norm. Dividend growth will be sluggish because cover is tight, at 1.2 times this year. And income growth is constrained by the number of properties where rents exceed the market rate.

Moreover, as leases get shorter, office blocks have to be substantially refurbished more frequently. There is little evidence of a reward for this increased business cost. In this harsh environment, nimble niche companies will fare better than lumbering giants. Of course, in the unlikely event that the budget introduces tax breaks for property investment trusts, this could fuel institutional demand for property. However, it would also encourage property sales from institutions which cannot cope with the increasingly active nature of property investment. Besides, tax-efficient property trusts would have an immediate advantage over the traditional property company, making them a bittersweet proposition.

Land Securities

Share price relative to the FTSE All-Share Index



NEWS DIGEST

La Camorra lifts Monarch

Record gold production from its La Camorra mine helped Monarch Resources, the London and Toronto quoted company that is the biggest private gold producer in Venezuela, report record net income for the third quarter and nine months to September 30 of \$702,000 and \$1.06m respectively. This compared with net losses of \$1.852m and \$4.701m, respectively.

La Camorra mine produced 15,904 and 41,925 troy ounces of gold for the three and nine months periods respectively at cash production costs of \$25 and \$26 an ounce respectively. Monarch said La Camorra's output should exceed 50,000 ounces this year. Gold output from the Revenim mill fell from 14,615 to 9,274 ounces in the nine months. El Callao Mining cancelled its contract to supply Revenim on October 3 but Monarch insists there was no valid basis for the termination. Revenim has initiated a review of other potential long-term feed supply sources. Kenneth Gooding

Morgan Crucible in US buy

Morgan Crucible, the engineering and specialty materials group, yesterday said it had acquired EM Corporation, part of Great Lakes Chemical Corporation, for \$26.8m cash. EM, a manufacturer and supplier of lubricants used mainly in the aerospace industry, made pre-tax profits of \$4m last year on sales of \$29.7m. Net assets acquired were \$10.4m. Mr Graham Swetnam, finance director, said this was the third sizeable acquisition this year. "Gearing will rise only slightly," he said.

The US market already provides half Morgan Crucible's profits and half its overseas sales. Alexandra Capelle

Wates City £11.6m disposal

Wates City of London Properties yesterday sold its interest in 84/84 Queen Victoria St, ECA, to Credit Lyonnais for £11.6m (\$19m) cash.

Dun & Bradstreet

Stephen Bue  
Sales & Marketing Director  
Sedgwick Crucible Europe Ltd

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John Little



INTERNATIONAL CAPITAL MARKETS

Italy, Spain defy expectations of correction

GOVERNMENT BONDS

By Richard Lapper and Samer Iskandar in London and Lisa Braumen in New York
Italian and Spanish government bond markets yesterday made further gains, defying expectations that they were due for a correction after their strong recent performance.

noon, with most futures contracts closing below the day's highs.
On Liffe the December BTP futures settled at 126.62, up 0.34, while in the cash market Italian 10-year bonds gained nearly half a point. The 10-year yield spread over Germany fell by 6 basis points to 183 points.

reversal of the Italian/UK 10-year yield spread.
"The Italian market seems to be defying gravity," said Mr. Jenson, chief European economist at Nikko Europe. "This is the market that forgot fundamentals."

UK gilt markets fell on news of stronger than expected labour market data. Mr. Jenson said "the figures had gone down like a lead balloon. The momentum was against the UK."

On Liffe, the December long gilt settled at 108 1/2, down 1/2. Short sterling was also badly hit with the September 1997 contract down 0.1 to 82.87.

price index rose by a stronger than expected 0.4 per cent in October, but most of the gain was due to a sharp increase in energy prices.
Core PPI, which excludes the volatile food and energy components, fell by 0.3 per cent, supporting the belief of most economists that inflation remains in check.

Demand for high yields drives sterling issuance

INTERNATIONAL BONDS

By Samer Iskandar
The flow of sterling-denominated bonds continued unabated yesterday, driven by demand from investors keen to lock in some of the highest yields in Europe.

slowdown in issuance.
"There are not that many deals around, especially with the Christmas lull approaching," one official said.
In this environment, Merrill Lynch launched a self-led deal consisting of £250m of 18-month paper.

eurosterling league tables, behind BZW.
Elsewhere, the dollar sector saw three small deals, including a debut issue by the Bank of Taiwan. Lead manager Goldman Sachs said placement had been helped by extensive pre-marketing among banks and fund managers in Europe.

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Lists various international bond issues from issuers like Bank of Taiwan, LB Sofbank-Holstein, etc.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager.
Floating rate note. Fixed rate offer price. Fees shown at net-of-commission level. Bid price with 2000m. Plus days accrued.
1) 10-year; 2) 10-year; 3) 10-year; 4) 10-year; 5) 10-year; 6) 10-year; 7) 10-year; 8) 10-year; 9) 10-year; 10) 10-year.

WORLD BOND PRICES

Table with columns: Country, Coupon, Red Date, Price, Day's change, Yield, Week ago, Month ago. Lists benchmark government bonds for Australia, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK.

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Table with columns: Strike, Price, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists call and put options for Bund futures.

FTSE Actuaries Govt. Securities

Table with columns: UK Gilt, Price, Nov 13, Dec 13, Jan 13, Feb 13, Mar 13, Apr 13, May 13, Jun 13, Jul 13, Aug 13, Sep 13, Oct 13, Nov 13, Dec 13. Lists various UK government securities.

US INTEREST RATES

Table with columns: Instrument, Rate, Bid, Offer, Bid, Offer. Lists various US interest rates including Treasury Bills and Bond Yields.

SPANISH BOND FUTURES (MEFF)

Table with columns: Strike, Price, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists call and put options for Spanish bond futures.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Bid, Offer. Lists various international bonds with their prices and yields.

BOND FUTURES AND OPTIONS

Table with columns: Country, Instrument, Price, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists various bond futures and options for France, Germany, Japan, UK.

UK GILTS PRICES

Table with columns: Issue, Yield, Bid, Offer, Bid, Offer. Lists various UK government securities and their prices.

OTHER FIXED INTEREST

Table with columns: Instrument, Yield, Bid, Offer, Bid, Offer. Lists various fixed interest instruments and their prices.

COMMODITIES

Table with columns: Instrument, Price, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists various commodity prices.

DEUTSCHE MARK STRAIGHTS

Table with columns: Instrument, Price, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists various Deutsche Mark straight bonds.

COMMODITIES

Table with columns: Instrument, Price, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists various commodity prices.

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Japanese take a bullish view on JGB outlook

Many US and UK fund managers are anticipating a sharp fall in Japanese government bond prices and a concomitant rise in yields in the next few months, according to Nikko Europe, the European arm of the Japanese securities house.
But Japanese institutional investors are more optimistic - they expected Japanese government bond yields over the next six months to stay below 2.5 per cent (yields closed yesterday at 2.65 per cent), while more than a quarter of respondents expected yields to rise to more than 3.45 per cent.

Japanese take a bullish view on JGB outlook

Asked to rank the potential performance over the six months of the G6 markets (Germany, US, UK, France and Japan) a large majority said they expected Japan to perform worst.
Some 88 per cent were underweight relative to their benchmarks in yen currency assets, with 62 per cent expecting the yen/dollar rate to be above ¥114 in six months.
Japanese investors and analysts at the seminar expected more modest rises in yields and on the whole took a less bullish stance. Mr. Shinichi Aizawa, of Dai-ichi Mutual Life Insurance, said yields could range between 2.3 per cent and 3 per cent, probably moving above 3 per cent next year.
However, he said strong demand from Japanese institutions - including the Jusen set up to manage distressed housing loans - could keep rates relatively low.
Some ¥1,700bn of new cap-

UK Indices

Table with columns: Index, Nov 12, Nov 11, Nov 10, Nov 9, Nov 8, Nov 7, Nov 6, Nov 5, Nov 4, Nov 3, Nov 2, Nov 1. Lists various UK indices and their values.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Bid, Offer. Lists various international bonds with their prices and yields.

COMMODITIES

Table with columns: Instrument, Price, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists various commodity prices.

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CURRENCIES AND MONEY

Pound rises on rate hike expectations

MARKETS REPORT

By Simon Kuper

Sterling rose sharply yesterday, as an unexpectedly big decline in UK unemployment led traders to expect further base rate rises over the coming months.

The pound was also boosted by the hawkish tone on interest rates taken by Mr Eddie George, governor of the Bank of England, in his meeting with Chancellor Kenneth Clarke on September 23.

now imply a LIBOR rate of more than 7 per cent. Money market strategists said this implied an expected base rate for June of about 6.75 per cent, with another rate hike to follow soon after.

Sterling closed in London 2.2 pence higher against the D-Mark at DM2.451 and 0.6 cents stronger against the dollar at \$1.653.

The dollar rose on Tuesday night because of Mr Tietmeyer's comments. But it hardly moved yesterday on US producer price data, which suggested a benign inflationary outlook after food and energy price rises.

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had been stripped out. The dollar closed in London 0.8 pence higher against the D-Mark at DM1.607 and 70.3 firmer against the yen at ¥111.6.

There was little movement in European monetary system exchange rates yesterday, with scant news emerging on the single currency front.

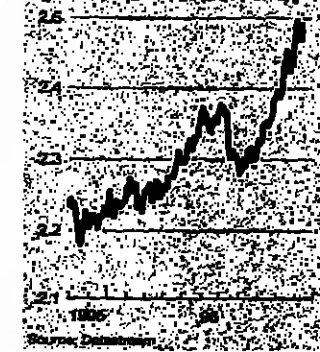
Yesterday reaffirmed the pound's status as the only leading currency likely to receive a boost from rising interest rates soon.

In the US, the Federal Open Markets Committee met expectations by not raising rates. In Germany, Mr Franz-Christoph Zeidler, Bundesbank council member, said that even though German rates were at historic lows, they could still have further to fall.

In the UK, an interest rate hike appears likely, particularly given yesterday's figures. The short sterling futures market expects

STERLING

Against the D-Mark (DM) per £



A surprising number of hikes fast. Mr Philip Shaw, chief economist at Union Discount in London, cautioned that the rates implied in the market are the three-month LIBOR rates - interbank borrowing rates - and that these can differ from expected base rates.

Currently the LIBOR rates for specific months are higher than the implied base rates for those months.

because the market is more uncertain than usual about the likely pace of base rate moves, Mr Shaw said.

But he said the market expected at least a 25 basis point rise by next month, a further rise by March 1997, and another hike by June, with yet another one expected soon afterwards.

This is surprising, as few economists at major banks expect two base rate rises before the election. The short sterling futures market is often out of synchronisation with other markets, but this size of gap is unusual.

Mr Robin Aspinall, chief economist at the National Australia Bank in London, said: "We can see 7 per cent base rates maybe by the end of next year, but it seems a bit strong to see 7 per cent by the middle of next year. I don't honestly think that if you sat market participants down and asked them what is going to happen to interest rates you would get the short sterling market's current position."

Mr Aspinall said: "My target is DM2.53 for sterling."

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WORLD INTEREST RATES

Table of World Interest Rates showing rates for various countries like Belgium, France, Germany, Italy, etc.

LIBOR FT London

Table of LIBOR FT London rates for various currencies.

EURO CURRENCY INTEREST RATES

Table of Euro Currency Interest Rates for various currencies.

POUND SPOT FORWARD AGAINST THE POUND

Table of Pound Spot Forward rates against the pound for various currencies.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table of Dollar Spot Forward rates against the dollar for various currencies.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table of Exchange Cross Rates for various currencies.

D-MARK YEN FUTURES (MM) \$125,000 per DM

Table of D-Mark Yen Futures data.

SWISS FRANC FUTURES (MM) SF 125,000 per SF

Table of Swiss Franc Futures data.

UK INTEREST RATES

LONDON MONEY RATES

Table of London Money Rates for various currencies.

UK closing bank base lending rate 8 per cent from October 30, 1996

UK clearing bank base lending rate 8 per cent from October 30, 1996

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BASE LENDING RATES

Table of Base Lending Rates for various banks.

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CONTRACTS & TENDERS

PETROBRAS

Engineering Service

BIDDING NOTICE

INTERNATIONAL BIDDING NO 569-9-004-96

Scope: International Bidding for contracting engineering services for setting up the Atmospheric Residue Catalytic Cracking Unit, Solvent Deaeromatization Unit, Solvent Unit, Sour Water Treatment Unit, Cooling Tower and other Utilities at Capuava Refinery - RECAP, in the Municipality of Maua, State of São Paulo, Brazil, including preparation of the detailed design, supply of materials and equipment, civil construction, electromechanical assembly, commissioning, tests, assistance to pre-operation, to operation and to maintenance, during a period of 880 (eight hundred and eighty) calendar days, on a lump-sum contract basis. Bid Evaluation Criterion: Lowest price (lowest present value). Address for consultation/purchase of the Bidding Documents: SISEN / EMBICOM, Rua General Canabarro, 500 - 9th floor - Rio de Janeiro - RJ - phone: (021) 508-5573 / 558-5878 / 558-5580, as of November 6, 1996. Bidding documents may only be obtained upon presentation of a bank deposit slip for the amount of R\$ 500.00 (five hundred reais) and the Secretary Statement, available at the above address, signed by the company's director or legal representative in Brazil, duly authenticated. Bids will be opened on January 29, 1997 at 10 a.m. in the Bidding Room of PETROBRAS, at Rua General Canabarro, nº 500 - ground floor - Rio de Janeiro - RJ.

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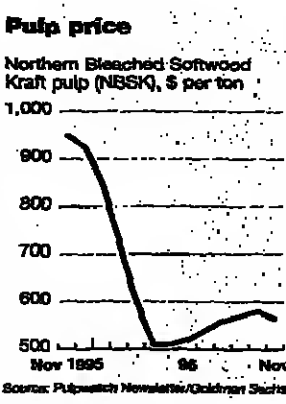
BIDDING COMMITTEE



COMMODITIES AND AGRICULTURE

Price of wood pulp slips as recovery falters

Wood pulp prices are sliding back as the recovery which began in July has started to falter. Rising capacity in the pulp and paper market is putting pressure on prices for pulp and most grades of paper - and analysts believe the market could go lower before it improves.



Increases in September list prices to \$580 a ton have failed to stick across Europe and pulp producers have struggled to try to impose an October rise on the market to \$620 a ton.

The North American market is holding up slightly better, with prices pushing \$600 a ton, but spot prices are beginning to slip to \$580 a ton as demand weakens.

Weakness in pulp is spreading to other paper grades, with newsprint and lightweight coated paper prices slipping, but the higher grade paper market is quite strong, with European demand expected to rise four per cent this year.

In Indonesia and Korea, roughly 500,000 tons of paper-making capacity will start up next year, which is likely to keep the pressure on prices. In Europe, a new Scandinavian newsprint machine is scheduled.

Capacity expansion in the Far East is now a very definite factor in the pulp and paper market because trade is so global, said Mr Tim Rothwell of Gerard Vivian Gray, the London brokers.

The increase in Asian capacity will limit European mills' ability to export to the region, which normally takes shipments equal to around 25 per cent of European consumption.

Analysts say it is difficult to call the market's direction but most are pessimistic on prices. "The situation is very fluid, but I think there will be some erosion in prices for the next three to six months," said Mr Ostling.

Modo results, international companies are expected to be profitable this year. During 1996 alone it has sold 5.2m ounces.

Fear of rush from gold grips market

The gold market is gripped with fear that some European countries will make substantial sales of the precious metal from their reserves to help them meet the criteria for monetary union.

The apprehension is understandable. In the unlikely event that all those countries that could sell gold to qualify for Emu did so, it would add up to 2,300 tonnes - more than all the gold mined last year.

Analysts are sharply divided about whether any sales are likely. They are all agreed, however, that worries about possible Emu gold sales are giving those who are betting on a fall in the gold price the upper hand in the market at the moment.

Among supporters of the theory is Mr Stephen Yorke, director of political research at SBC Warburg. He suggests some European states will be tempted to sell gold to meet their Emu objectives. "And I think it will happen sooner rather than later - that is, within the first few months of 1997."

"The magic ingredient that could change the attitude of EU member states from theoretical resistance to stealthy participation in unmet gold sales over the next few months is political desperation and fear," Mr Yorke says.

He points out that between the end of 1991 and October this year Belgium sold 14.9m ounces of gold. During 1996

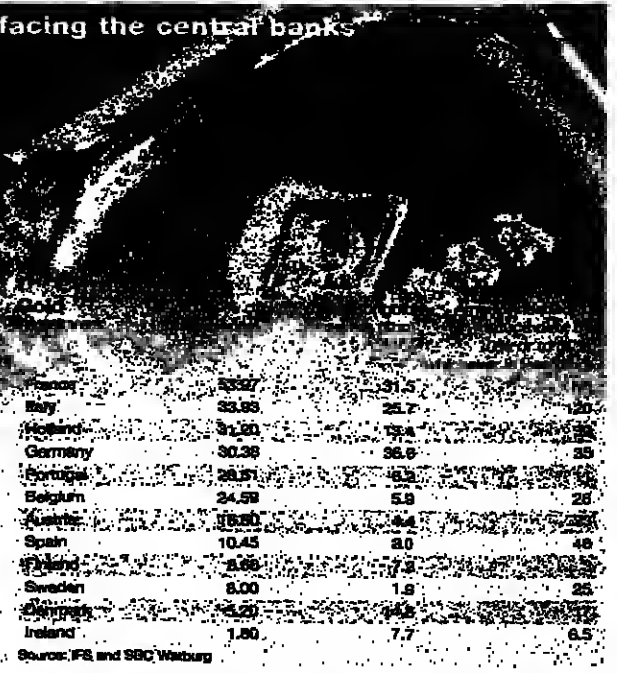


Table showing gold sales in ounces by country from 1995 to 1996. Countries include Belgium, France, Germany, Spain, Sweden, and others.

Farmers build New Zealand deer herds

By Terry Hall in Wellington

European consumers, switching from beef in the wake of the "mad cow" scare, have helped push the number of deer farmed in New Zealand to record levels.

Deer farmers are carrying out a major herd-building exercise. There are now 1.5m deer in New Zealand - confirming the country's position as the highest vendor of deer in the world.

In the year to September last year, farmers culled heavily, reducing the national herd to 1.18m, according to figures from the New Zealand Ministry of Agriculture.

Since then rising demand and prices for venison on world markets, due to the BSE crisis and the launch of the "Cervena" venison brand on North American markets, has encouraged farmers to hold back hinds for breeding.

So far this season 110,000 fewer hinds have been sent to the meat processing works. Demand for breeding stock is continuing to push up prices at market - making it difficult for processing companies to find animals for slaughter.

Mr Rex Moore, of the Game Industry Board, said herd numbers had now easily passed the previous peak in 1993. One farmer had planned to send a number of 100kg hinds to the works.

"A trader heard of this and paid him NZ\$100 more each to resell as breeding stock," he said.

Mr Moore said the greater profitability in the industry was encouraging herd building. "Farmers need to sell a lot less animals to give them the same cash flow they needed to operate profitably last year," he said.

Oil and refined products move sharply higher

By Deborah Hargreaves and Kenneth Gooding

Oil and refined products prices were sharply higher yesterday as US traders pushed the market ahead on fears over cold weather in the north-east of the US. The North Sea Brent crude oil market rose 51 cents to \$33.34 a barrel as a cold spell in the US renewed traders' fears about low oil and products stocks. The December futures contract on the New York Mercantile Exchange rose 40 cents higher by mid-session at \$23.75 a barrel.

Products like heating oil and jet fuel were also stronger, with jet fuel up 96 a tonne to \$250 a tonne. The airlines began a three-day meeting in Geneva to discuss increasing some basic fares because of higher fuel prices. Heating oil futures on Nymex rose nearly two cents to 70 cents a gallon and on London's International Petroleum Exchange December gas oil futures increased by \$5.75 to \$216 a tonne.

US spot prices for liquefied petroleum gas soared, with propane spot prices in Texas up three cents to 55 cents a gallon. On the London Metal Exchange speculative buying helped push the price of copper for delivery in three months to \$2.083 a tonne at one stage, the highest for more than two months.

Speculators were banking on the exchange reporting tomorrow another "five-figure" fall in its stocks - already at a six-year low. Strong selling was seen when the price reached \$2.075 and the market was also unsettled by a revelation from the World Bureau of Metal Statistics that there seemed to be substantial unreported copper stocks in Rotterdam. Three-month copper was at \$2.060 in late trading, up \$15 on Tuesday.

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COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Antwerp/London Metal Trading)

Table of base metal prices including Aluminium, Copper, Lead, Nickel, Tin, Zinc, and others with columns for price change, high, low, and open.

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Table of precious metal prices including Gold, Silver, Platinum, and Palladium.

GRAINS AND OIL SEEDS

WHEAT LIFE (¢ per tonne)

Table of grain prices including Wheat, Maize, Soybeans, and Barley.

SOFTS

COFFEE LIFE (¢/tonne)

Table of soft commodity prices including Coffee, Cocoa, and Rubber.

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lb; cents/lb)

Table of meat and livestock prices including Live Cattle, Live Hogs, and Pork Bellies.

ENERGY

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

Table of energy prices including Crude Oil, Heating Oil, and Natural Gas.

SOYBEANS (BY 5,000 bu; cents/50b bush)

Table of soybean prices including Soybeans, Soybean Meal, and Soybean Oil.

SOYBEAN OIL (100 tons; \$/tonne)

Table of soybean oil prices including Soybean Oil and Cottonseed Oil.

WHITE SUGAR LIFE (¢/tonne)

Table of white sugar prices including White Sugar and Sugar '11'.

ORANGE JUICE NYMEX (15,000lb; cents/lb)

Table of orange juice prices including Orange Juice.

PRECIOUS METALS

LONDON BULLION MARKET (Prices supplied by N.M. Rothschild)

Table of precious metal prices including Gold, Silver, and Platinum.

UNLEADED GASOLINE NYMEX (42,000 gals; ¢/gals)

Table of unleaded gasoline prices including Unleaded Gasoline.

FUTURES DATA

Table of futures data including various commodity futures contracts.

VOLUME DATA

Table of volume data for various commodity futures markets.

INDICES

Table of market indices including S&P 500, Nikkei, and others.

JOTTER PAD

Table for jotting down notes or prices, with columns for date, price, and other details.

CROSSWORD

No.9,224 Set by HIGHLANDER

Crossword puzzle grid with clues for Across and Down.

LONDON SPOT MARKETS

Table of London spot market prices including Crude Oil, Gas, and other commodities.

Farmers build New Zealand deer herds

By Terry Hall in Wellington

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# AUSTRALIA



The Sydney skyline seen from the harbour bridge. Even this cosmopolitan business and financial centre has its reservations about coping with the economic effects and organisational difficulties of hosting the next Olympic Games

## In search of a place in the world

Nikki Tait asks whether the government's middle course between swift and slow change can be held

Eight months ago, when the conservative Liberal-National coalition won its first election in 13 years, Mr John Howard promised to govern for all Australians. It was a statesmanlike sentiment on the part of the new prime minister, and many of his countrymen - including those opposed to the coalition's policies - applauded. Today, almost one-quarter of the way through the government's three-year term, the difficulties inherent in achieving this goal are more obvious. Quite simply, many Australians appear divided over what pace of internal change they would like to see (or are willing to tolerate) as their country battles to find its place in an increasingly competitive global environment. Australia began to hitch its fortunes to the international economy in the 1980s. It floated the currency, brought down tariff barriers,

and deregulated financial markets. As established industries struggled to compete, a process of "micro-economic" reform was also put in place, with the former Labor government pledging to open up sectors like transportation, telecommunications and energy, as well as the labour market. In addition, links with the Asian region were strenuously pursued - at least partly in the hope that Australia could boost trade with its closest neighbours. The March election result was, in many ways, a judgment on this strategy. When the electorate tossed out Labor in one of the biggest electoral swings ever seen in Australian politics, it seemed to be saying that the economic results had fallen short. Although ministers could point to four years of unbroken growth, even they conceded that the "feelgood" factor was missing. Opinion polls ahead of March 2

suggested that the economy was the primary concern for most voters. This dissatisfaction, however, had two distinct roots. The problem for the business community - both small firms and large - was that restructuring had been too slow. Micro-economic reform, in particular, had been prone to slippage. This was blamed partly on Labor's closeness to the union movement: small businesses, for example, complained bitterly about the tougher unfair dismissal laws which had been one of the trade-offs for union support of labour market deregulation. But for a sizeable, blue-collar portion of the electorate - sometimes termed the "battler" vote - the problem was more one of too much change. Restructuring of the industrial base had left unemployment levels high, prompting some backlash against immigration levels and Labor's aggressive "multiculturalism". Privatisation had been pursued despite pledges to the contrary. Now that it holds office,

the coalition government has the difficult task of keeping both these elements on side. To date, Mr Howard's solution has been to move cautiously. True, the coalition's first budget was austere. It paved the way for spending cuts of A\$4.45bn in the current year, and A\$7.2bn in 1997-98, in a quest to achieve a fiscal surplus by 1998-99. Financial markets applauded: the differential between Australian and US bond yields dropped to under 100 basis points compared with over 250 basis points earlier this year. But the savings were secured largely from employment programmes, higher education fees, and the public service. High-income earners were also stung by increased taxes for superannuation, luxury car leases and healthcare. "Middle Australia", by contrast, was relatively well-protected, enjoying tax cuts and health rebates which, if not large, at least offset some of the harsher measures. "For most of us," was how one newspaper headline summed up the package's contents.

Immigration levels, too, were cut for 1996-97 shortly after the new government took office. More recently, the "race debate" has resurfaced in virulent fashion with Ms Pauline Hanson, a new independent member of parliament, using her maiden speech to express her opposition to Asian immigration and the level of aboriginal welfare. Again, the prime minister has repeatedly declined to criticise her, although he did stress a commitment to a non-discriminatory immigration policy. Only when the issue was picked up by the Asian press, and talk of implications for tourism and the sale of educational services became rife, was a bipartisan motion passed in parliament. Even on the labour market front, the approach has been less than purist. The coalition's plans for reform were toned down going into the election, and have since been amended further to ensure parliamentary support. At the end of the day, the package will allow employers far more freedom

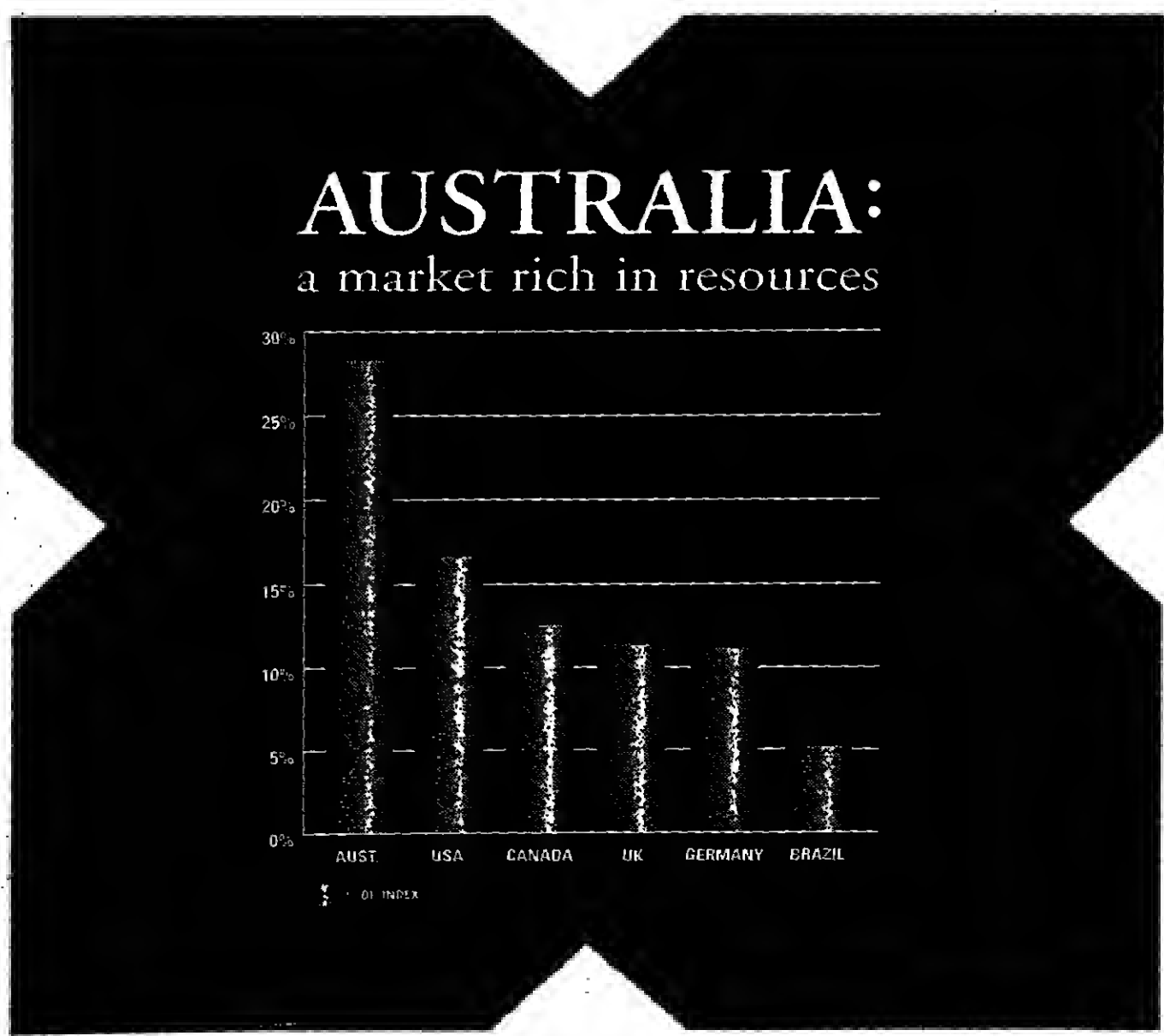
than Labor's earlier reforms. Meanwhile, a few areas of potential reform are off the agenda altogether. On the tax front, there have been attempts to close off loopholes and, more contentiously, clamp down on research and development allowances. But the big issue - whether Australia should switch to much greater dependence on indirect taxation - has been ruled out during the current parliamentary term. Politically, this approach is hard to fault. By late October, opinion polls had the coalition's primary vote standing at 51 per cent, compared with 47 per cent on election day. Support for Labor, by contrast, had slumped to its lowest level in seven months. A by-election - the first of the new parliament - returned an outer Sydney seat to the coalition candidate by an even larger margin than in March. One question is whether this middle course can be maintained. Industry is impatient to see more progress on the microeconomic reform front.

Meanwhile, some difficult issues will need to be negotiated in the year ahead. The domestic car industry, for example, is currently subject to a review by the Productivity Commission, one of the economically "dry" government agencies. At stake is the question of tariffs, which have been falling more slowly on cars, after 2000. Already, some manufacturers have seized the chance to lobby for a freeze of the existing tariff reduction programme - a move which may test the government's "free trade" credentials. Similarly, a review of the financial services industry is also underway. This is likely to determine how the sector should be allowed to restructure - in particular, whether the larger banks and insurance companies should be permitted to merge, and the traditional demarcation lines erased. The economy, meanwhile, appears to be flagging. Although the June quarter national accounts showed growth running at a seemingly healthy 4.5 per cent year-on-year, growth in the June quarter alone was only 0.1 per cent. Since then, a wealth of data - from retail sales to

unemployment figures - has suggested that the environment remains sluggish. With inflation no longer a threat, the response has been two interest rate cuts - one in late July and the second this month. The hope is that investment and consumer confidence will pick up again, allowing budget forecasts of 3.5 per cent growth in 1996-97 to be met. But even the Reserve Bank has noted the two-tier nature of the economy at present. "Although... forecasts of overall profits are positive, there is a widespread perception that profits are poor. In part, this reflects the different sectoral performances: manufacturing is going through a lean period, in which services, particularly finance, are performing strongly," it said in its last quarterly economic report. In the end, the biggest question is whether Australia can afford to pace changes to suit its own domestic agenda. As if to illustrate this, earlier this month, a private sector report commissioned by the industry department highlighted the extent to which Australia was losing out to Singapore and Hong Kong in the financial markets area.

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II AUSTRALIA

Politics by Nikki Tait

# Measured beginning

Foreign and trade policy will continue along lines similar to Labor's

Three weeks ago, voters in western Sydney got the first chance to deliver a ballot-box verdict on Australia's new conservative federal government. A by-election, the first since the March 2 federal election, was called in the once-safe Labor seat of Lindsay. The result was resoundingly supportive of the new administration: the Liberal-National coalition's candidate was returned with a favourable swing of 4.7 per cent - on top of the 11.5 per cent which she enjoyed in the election.

Whilst there were some special factors at work, few commentators took issue with the conclusion drawn by Mr John Howard, Australia's prime minister.

Voters, he said, were simply confirming the desire for change which they had expressed in March when they ended 13 years of Labor rule with one of the biggest electoral swings in Australia's political history. "We didn't make a mistake, we wanted a change... and if after two or three years we don't like what the new government is doing, we'll do the same thing to them as we did to the other mob" was how he summed up Lindsay's message.

A change is certainly what Mr Howard is delivering - although not always in the proactive sense. Gone is the adventurous style of the former Keating government, with its outspoken social policy objectives and high-profile quest for "engagement" with Asia. Instead, the first six months have been low-key and in line with a middle-of-the-road election manifesto.

The chief policy moves, for example, have involved the introduction of two bills outlined in the campaign - an

Industrial relations reform package, which has now been slightly modified to ensure parliamentary support, and the still-contentious partial privatisation of Telstra, the telecommunications giant.

An August budget was convincingly sterner than anything Labor had offered, and aims to move Australia to fiscal surplus by 1998-99.

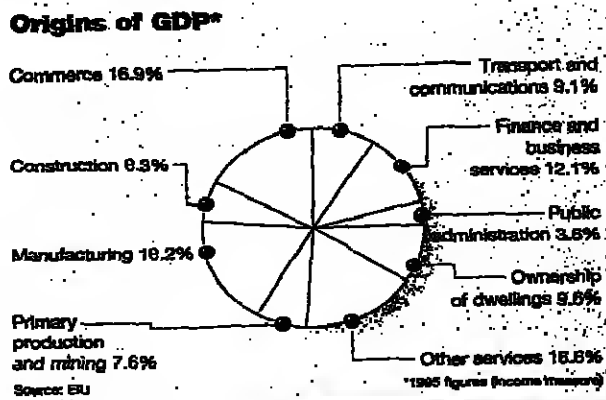
In pursuit of this objective, Labor's labour market programmes will be largely unwound, higher education charges raised, and the public service cut back. But even this package was somewhat less austere than originally outlined, with the balanced budget target being achieved over three years rather than two.

Perhaps the only real surprise was the push for tougher, uniform state gun laws in the wake of the Port Arthur shootings - an initiative made difficult by deep-seated state-federal government sensitivities and driven largely by the prime minister himself.

In part, this start appears to stem from a conscious reading of opinion polls. The Australian electorate is extremely conservative. The Keating government's desire to push through a fairly radical agenda on the social-cum-constitutional front - native title rights, for example, or the embryonic debate on the cutting of ties to the British monarchy - was arguably a big factor in its downfall.

Mr Howard's election strategy was to make the coalition as small a target as possible, and minimise the degree of upheaval promised. "Relaxed and comfortable" is how he famously described his view of Australia to one interviewer.

Lack of ministerial experience may be a second reason for the cautious start. This was a predictable hazard for the new government, given that the coalition had been out of office for 13 years, and



only a couple of members (aside from Mr Howard) had any ministerial experience.

The third factor is more technical. Despite the large election victory, Mr Howard did not end up by controlling the Senate, parliament's upper house, which works on a state-based, proportional representation system. If Labor opposes government measures in the Senate, the coalition needs two votes from the minor parties - the Greens or the Australian Democrats - or from the two independents to ensure that its measures pass.

At one stage, it looked as if Senate obduracy would lead to a "double dissolution" (when both houses are dissolved simultaneously and fresh elections called). This possibility has not disappeared. However, successful negotiations have been held with the Australian Democrats to ensure that the industrial relations package passes, and there is at least a chance that the Telstra bill will win backing from the two independents. That would leave certain budget measures and proposed changes to the Native Title Act as the main bones of contention.

But the foreign policy reception is more ambiguous. According to ministers, foreign and trade policy will continue on similar lines to those espoused by Labor. Engagement with Asia is given top priority, although the caveat is now usually added that this need not be at the expense of older ties.

For the moment, though, many Asian countries seem to be politely suspending judgement, waiting to see whether rhetoric and action



John Howard remains mindful of the voters' message

match up. The axing of a soft loan aid scheme raised some concerns; conversely, the concentration of ministerial visits on the region has been taken as a plus.

On the trade front, the commitment to free trade has been reaffirmed - although the industry lobby has quietly stepped up pleas for a more "pragmatic" and flexible approach. Here, the test may come over the local car industry, which has, to date, enjoyed a slower reduction in tariff protection than most industrial sectors. The issue is currently being considered by the Productivity Commission, the government agency.

If the coalition has been feeling its way into government, Labor has had even bigger problems coping with the transition to opposition. Former ministers publicly mourn the loss of power - with Mr Gareth Evans, the former foreign minister, talking frankly of a sense of impotence and irrelevance.

Superannuation industry: by Bethan Hutton

# Lasting state of flux

As priorities change, a period of stability is needed for study of the options

Australia's retirement planning industry has been in a state of constant flux for several years now, and there is no sign of any end to that under the new government.

The superannuation industry is still waiting to see exactly what the Howard government's retirement incomes policy will be, but it was given a few tasters in the first budget in August: a surcharge on superannuation contributions by higher earners; the introduction of Retirement Savings Accounts; and a promise to review the tax cuts promised by the previous government, due to be delivered in the form of matching superannuation contributions for lower earners.

Superannuation funds under management had been set to grow exponentially with the Labor government's plans for increasing compulsory contributions by employees and employers. Funds were projected to grow from A\$250bn today to A\$600bn by 2003, and around A\$900bn by 2020.

"The growth of funds is probably not going to be as rapid as had been anticipated, but there is still significant growth," says Mr Kevin Casey, manager for compliance and legislation at AMP Superannuation.

The general emphasis

seems to be shifting from promoting compulsory superannuation schemes, in order to ensure a satisfactory retirement income for almost all workers, towards giving individuals more choice in what they do with their savings.

The new government got off to a bad start with the superannuation industry by introducing the 15 per cent superannuation surcharge for high earners (defined as starting from A\$70,000 to A\$85,000 per annum).

The industry is annoyed not so much at the fact the surcharge was introduced but because the government did not consult it over the collection system, which, the big life companies say, is unnecessarily complicated and costly. Discussions are continuing on that point, but the government shows no signs of backing down.

Another innovation in the budget was greeted more warmly: the introduction of Retirement Savings Accounts (RSAs), a new form of superannuation to be offered by banks, building societies, credit unions and life offices.

They will not have a trust structure, unlike existing forms of superannuation, but must have a capital guarantee. The concept of RSAs has been welcomed by the banks, but the life offices have been more muted: RSAs will be suitable for people nearing retirement, who need low risk investment options, or for low income earners with only small amounts to invest,

they say, but consumers must be made aware of the difference between RSAs and conventional superannuation funds, which can offer higher returns over the long term.

Australia suffers from two problems familiar to many developed countries: an ageing population which has grown up to believe that if it pays its taxes, the government will provide for it in old age, and a generally low voluntary savings rate.

Some elements of the traditional superannuation system contributed to this: employees leaving a company used to be given immediate access to their superannuation contributions, even if they were not retiring. What were intended to be long-term savings were thus often used to tide people over periods of unemployment, or pay off mortgages and other debts.

This problem has been tackled, but one related area which successive governments have so far seemed reluctant to deal with, however, is the habit of taking superannuation proceeds as a lump sum rather than a regular pension.

This can mean that the lump sum is used to pay off a mortgage and the retired person later claims state benefits. This may be too sensitive an issue for the new government to tackle immediately, but it does require attention.

There is also the question of where the growing pools of money should be invested. Unlike the UK and many

other countries, there are few restrictions on investment. This freedom could mean that more money can be expected to go overseas, or into high-risk, high-return instruments.

The government will be hoping that the money stays closer to home, being funnelled into infrastructure projects: there is no shortage of plans for airports, roads and Olympic developments which will require financing. The growth of funds could also promote the development of new types of investment instrument, such as Kangaroo bonds: Australian-dollar bonds issued by overseas entities.

Under the Labor government, unions had considerable influence over the investment destinations of large portions of superannuation funds. That influence is set to be gradually eroded under the new government, with more choice given to individual investors. Some industry observers are warning, however, that unless there is greater consumer education on investment matters, freedom to choose could lead to poor investment decisions.

The Australian superannuation system is far from perfect, but if you ask someone in the industry what development would be most welcome, the answer could be surprising: a period of stability, so that all the changes to it can be assimilated, consumers can begin to understand their superannuation options, and providers can get their costs under control.

Telecommunications: by Bethan Hutton

# Rough path to follow

New entrants are likely to be carriers in name only, reselling existing capacity

The next year should bring the last big step in the deregulation of the Australian telecommunications market. It may also bring the stock market flotation of Australia's two largest companies in that sector.

The road to deregulation and market listing is proving to be anything but smooth. The date set for full opening of the market - July 1 1997 - was decided more than two years ago, by the previous Labor government, but the change of government has delayed the legislation. As the date approaches, it is looking increasingly doubtful that the new conservative coalition will get the relevant legislation through Parliament in time.

The official line is still that a market opening bill will be passed before Christmas, but it has not yet been introduced, and the government has a serious parliamentary backlog, including vital budget measures. Some pessimistic voices are now predicting that the legislation may not be passed until around March next year.

At the moment, there are only two licensed full-service telecommunications carriers: Telstra, the government-owned former monopoly, and Optus Communications, the newcomer, which entered the market in 1992.

The latter has spent the last four years building up its market share in long-distance and mobile telephone markets, and investing heavily in its own national infrastructure. It started offering local calls in June this year, using the cable network of Optus Vision, a cable TV company in which it has a 46.5 per cent stake. Subscriber numbers are still low, and limited to the areas covered by the Optus Vision network, but the number of potential users is growing steadily.

From July 1997, the market will be thrown open to all comers. Barriers to minimal: the infrastructure requirement will be as little as 500km of line, according to government discussion documents. This could mean that some large companies and utilities with extensive private infrastructure could find themselves unwittingly categorised as telecommunications carriers. The status carries responsibilities such as contributing to the cost of universal service provision (quite considerable in a country with many isolated farms) and the industry's regulatory body.

It is unlikely that any new entrant will aim to set up an interstate infrastructure to rival Telstra and Optus, not only for cost reasons, but

also because obtaining planning consent will become much more difficult next year. Optus has been able to roll out its network without obtaining permission from each local authority along the route, but in future companies will have to do that.

Mr Paddy Costanzo, policy manager at Optus Communications, says: "What that will tend to produce is carriers who are carriers in name only, relying on competition between Optus and Telstra to get the best deal. I am pretty sure you will not see another Optus-type carrier."

Instead, newcomers are expected to concentrate on reselling Telstra and Optus' capacity, and possibly building small amounts of infrastructure for specific market segments. They are most likely to emerge as niche providers for businesses and large organisations such as local governments, or low-cost local service providers for retail consumers.

Not all the companies exploiting new opportunities

after 1997 will be entirely new entrants. British Telecom, for example, has already been active in the Australian market for almost a decade, mainly providing specialised services to multinational companies.

It recently pulled out of the resale market - buying bulk capacity from existing carriers and selling it on to consumers - but has yet to announce its post-1997 strategy. AAP Communications, a local venture, has been active in the resale market and is well-placed to tap the new market opportunities.

Although telecommunications is one of Australia's fastest-growing industries, most investors have had no access to that market sector. That is set to change, with floats planned for both Telstra and Optus Communications - but investors are not holding their breath.

The new government is having difficulty carrying out its manifesto commitment to the partial privatisation of Telstra. It wants to

sell off one-third of Telstra, and had hoped to gain broad support for this by pledging A\$1bn of the proceeds to an environmental fund.

This has not convinced the minority Green and Democrat parties, which hold the balance of power in the Senate. The Telstra bill has been delayed by referral to a parliamentary committee, and even if the government succeeds in pushing the measure through, action is unlikely until well into next year.

Optus Communications also announced its intention of seeking a stock market listing earlier this year, but since then it too has run into difficulties. The float, which had been expected towards the end of this year, may now be delayed because of a legal dispute with Channel Seven, a television company, over Optus Vision. There may also be problems with the Foreign Investment Review Board, as a float would be bound to attract more overseas investors.

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Mineral resources: by Bruce Jacques

# Boom's bad resonance

Major plans for expansion could be held up by patchy financial performances

The boom word is being used again about the Australian resources industry. And it is making most of the big corporate participants nervous. They remember well the run of play in the 1970s when the phrase "resources boom" became a political byword.

What ensued was a kind of boom - but in spending, not earnings. Governments and organised labour staked their claim on industry proceeds long before a wave of returns. The result was a syndrome accurately dubbed "profitless prosperity" for the industry's investors.

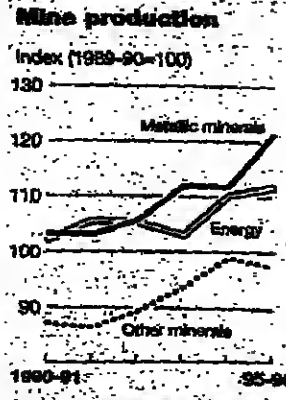
The influential private economic research group Access Economics has identified up to A\$80bn-worth of resources projects already well into the planning stages, with about 25 projects worth more than A\$50m due for commitment in the next year. Western Australia has emerged as the national resources "hot spot", accounting for more than half of the likely near-term expenditure.

with individual contracts. A fundamental difference with the new "boom" is that many of the current projects will involve significant increases in the domestic processing of Australian minerals - a strategic shift that will help to reduce the industry's reliance on basic commodity prices and blunt long-standing accusations of a basic "dig it up and ship it out" mentality.

Yet the resources industry faces a dichotomy. These large-scale expansion plans are being considered against the background of a patchy financial performance in the latest year. The metals sector has remained generally weak, with a mid-year rally in prices proving short-lived.

Copper has been the difficult metal for Australia, casting a long shadow over corporate performance because of its effect on the country's leading resource group, BHP. The company's profits have been severely curtailed by an ill-timed A\$3.2bn move into the big league of world copper producers with the takeover of US-based Magma Copper. The Australian government's commodities research arm, ABARE, is forecasting a further 7 per cent decline in world copper prices in 1997 following a decline of almost 25 per cent in 1996 as effects continue to flow from the Sumitomo trading scandal. And ABARE has revealed a masterpiece of mistiming by Australian companies which are set to follow a 26 per cent increase in copper mine production in 1995-6 with another 9 per cent rise in the current year. The result forecast is a 10 per cent increase in Australia's copper export revenue in 1996-97, but much of the business is likely to be done at a loss.

ABARE is also forecasting growth in iron ore exports, but a year of consolidation for gold, although it will remain clearly Australia's second biggest mineral export, worth almost A\$5.5bn. Further growth is also predicted for the country's largest mineral export, coal, with receipts exceeding A\$8bn for the first time.



Source: Australian Mineral Industries

But coal's growth is likely to be outpaced by the two recent stars of the Australian energy sector - petroleum and uranium. The petroleum sector looks like accounting for a large chunk of planned resource spending with the announcement that partners in the North West Shelf project, off the West Australian coast, are close to committing around A\$6bn to a near-doubling of LNG export capacity.

The shelf - already Australia's biggest resource project - involves some of the world's biggest energy groups including Shell, British Petroleum, Chevron, Mitsui, Mitsubishi and BHP. The chief local partner is Woodside Petroleum, 34 per cent controlled by Shell.

In uranium, at least three new developments costing more than A\$500m look likely in the next few years, with reserves earmarked for perhaps a dozen more projects if markets permit in the next century.

ERA, which already produces about 6 per cent of the Western World's uranium from its Ranger mine in the Northern Territory, has plans to double output through development of the nearby Jabiruka mine. Companies including Western Mining, RTZ-CRA, Denison and Cogema also have new mines or expansion plans that could be speeded up to take advantage of rising market prices.

Economy: by Nikki Tait

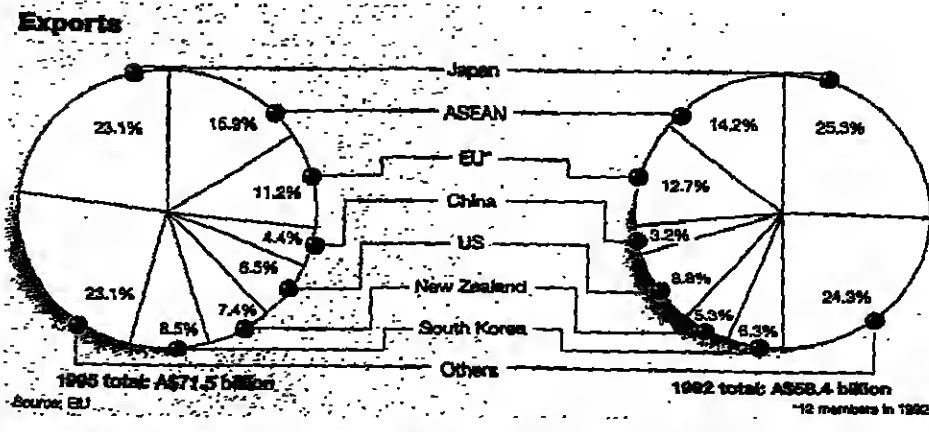
# Transforming policy by stealth

The social and economic effects of the budget are under serious scrutiny

To some, it is economic rationalism by stealth. To others, it is the bare minimum required to remove the growth constraints on Australia's business sector. What no one disputes is that economic policy in Australia has undergone a significant shift following the change in government on March 2.

The extent of this change was confirmed in late August when Mr Peter Costello, the new federal treasurer, handed down the first Liberal-National government budget for 14 years. In it, he laid out a range of cost-cutting measures and tax concessions designed to move the government's finances from a deficit of A\$10.8bn in 1995-96 to an A\$1.2bn surplus by 1998-99.

A similar balanced budget target had been avowed by the former Labor administration. But Labor's efforts to close the gap were hampered by its social policy objectives - in particular, a conviction that direct intervention in the labour market was necessary to tackle unemployment, which has remained at over eight per cent since the last recession.



Source: EU

The business sector, meanwhile, would dearly love to see a large measure of tax reform. Unusually among developed economies, Australia has no general consumption tax, and thus relies heavily on income taxes to raise revenues. The idea of a "goods and services tax" formed part of the coalition's 1993 election pitch, although the electorate's aversion to this was widely viewed as a reason for Labor's return.

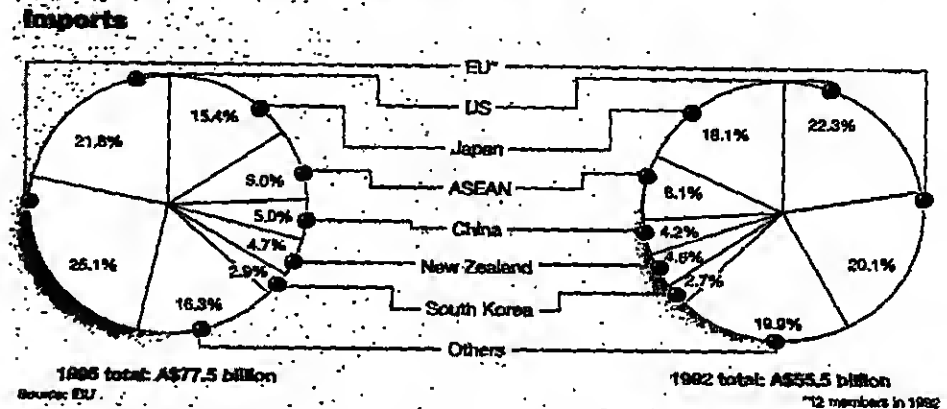
The rationale for all these moves - budgetary balance, microeconomic reform, even the possible shift to more indirect taxation - is fairly simple. Since the early 1970s, Australia has been dogged by two economic boogymen: high inflation and a tendency to run large current account deficits. In recent times, too, its household savings ratio has slumped to extremely low levels.

The inflation threat has receded during the past five years. But Australia's propensity to suck in imports - both capital and physical goods - when economic growth is strong remains problematic.

The danger was last demonstrated in 1994 when the growth rate topped five per cent and the current account deficit for 1994-95 surged to around six per cent of GDP. The official "cash" rate was raised from 4.75 per cent to 7.5 per cent and remained at this level for 18 months.

By running a balanced federal budget - or, better still, a surplus - the government would stop compounding the shortage of private sector savings. A GST might also help to curtail private sector consumption demand. Meanwhile, a sharper pace of microeconomic reform should boost international competitiveness and aid the export sector.

Against this background, a big debate continues over the detail of the appropriate pace of economic change. The business sector and financial markets would like this to be rapid. On budget day itself, there was some disappointment that the coalition's original deficit reduction targets - which would have moved to a balanced budget by 1997-98 - had been undershot.



Source: EU

Banking: by Bethan Hutton

# Interesting times ahead

The Wallis report could speed up far-reaching changes already under way

The Australian banking sector could have an interesting year ahead. A government review of the financial system, combined with the pressures of domestic competition and globalisation, could lead to substantial consolidation and restructuring among the main participants.

Australian banks have already undergone several bouts of deregulation over the last 15 years, but Australia remains overbanked by international standards, and its banks have been insulated from the wave of international banking mergers and acquisitions. These characteristics are set to change.

One of the first acts of the coalition government, elected in March, was to announce an inquiry into the financial system, to be chaired by Mr Stan Wallis, former managing director of the paper company Amcor.

The Wallis inquiry has taken submissions from all sides: the banks, other financial institutions, industry and consumer organisations, regulatory bodies and interested individuals. It issues a discussion paper later this month, and holds public hearings before it is due to report in March 1997.

The brief is to take stock of financial regulation, establish a coherent regulatory framework for overlapping financial products, and find ways of dealing with financial and technological innovation, with the aim of ensuring that the financial system and regulatory framework remain internationally competitive in changing conditions.

get banks and two main life companies - National Australia Bank (NAB), Australia and New Zealand Banking Group (ANZ), Westpac Banking Corp, Commonwealth Bank of Australia, National Mutual and the AMP Society - which are banned from merging with each other, in a policy aimed at preserving competition.

Mr Wallis has said he will consider this, and will also review the remaining restrictions on foreign ownership and competition.

All six pillars, in their submissions, have argued for an end to the policy, but several smaller firms, which could be threatened by the creation of large bancassurance groups, have argued against it.

The stockmarket has already been enlivened by frequent rumours of bank takeovers, ahead of a relaxation of the rules. One of the most recent was speculation that NAB was preparing for an assault on Westpac. Potential foreign buyers are also rumoured to be lining up for several of the big four banks, such as supposed interest in ANZ on the part of Standard Chartered.

Meanwhile, the market is already changing within the constraints of the six pillars policy. Consolidation is taking place among the smaller regional banks and insurance companies, such as the takeover of State Bank by Colonial Mutual, and the takeover bid by St George Bank for Advance Bank.

St George has been seeking takeover targets for some time, in what could be interpreted as an effort to protect itself from takeover: the likely predator is National Australia Bank, which still holds a strategic stake in St George.

More ambitious is the proposed four-way merger of Metway Bank, Suncoorp (an insurance group), the Queensland Industry Development Corp, and Bank of Queensland to create one of the country's largest financial institutions. The plan, devised by the Queensland state government, was immediately dubbed "Queensland Inc" by market commentators. The Bank of Queensland, however, is so far refusing to co-operate, and three members of the Suncoorp board have resigned in protest.

The future shape of Australia's regulatory framework is another key issue in the Wallis inquiry. Views on regulation submitted to the inquiry are widely varied. National Mutual and NAB, together with the treasurer, Mr Peter Costello, have come out in support of one mega-regulator to govern the whole financial system, in place of the current array of authorities. Others, such as the Commonwealth Bank, Westpac and ANZ have argued for more moderate reform, amounting to a streamlining and reorganisation on more logical lines of the current system.

A common argument is that regulation should become more product-based, rather than institution-based. At the moment, banks, insurers, credit unions and other institutions can offer products with broadly similar functions, but governed by completely different regulations depending on who is offering them. This is confusing for consumers, and distorts the market from the institutions' point of view.

Australians have traditionally been early to adopt new technology, from micro-waves and VCRs to home computers and STPs (Electronic Fund Transfer at Point Of Sale, better known as debit cards in the UK).

The uptake of various forms of electronic banking has been fairly rapid, but Australia has not yet experienced the level of branch closures which might be expected in the shift away from face-to-face transactions. Branch closure programmes are now under way at all the main banks, but post-Wallis mergers would greatly accelerate that process.

Another global trend now hitting the Australian market is new competition from non-bank providers of financial services, such as mortgages and credit cards. Mr Don Argus, NAB managing director, has spoken of the threat of "the financial industry equivalent of a thousand cuts" as we see important segments of our core businesses whittled away by niche service providers. A good example is the recent mortgage price war between banks, traditionally the main mortgage lenders in Australia, and the new generation of specialist home loan providers created by the introduction of mortgage securitisation. The large banks' returns on equity have been spectacularly high - ranging from 14 to 18 per cent - but the Reserve Bank has warned that the impact of the mortgage war will mean lower returns for this financial year.

The banks are fighting back with further cost-cutting, and an emphasis on quality and breadth of service. And by this time next year, the battlefield could look completely different.

More recently, Mr Jerry Ellis, chairman-designate of BHP, Australia's largest company, has stressed the need for urgency. "Federal and state governments have an enormous way to go to remove impediments to world-class economic and social performance," he told a business forum in Canberra last month.

By contrast, the government's opponents argue that cost-cutting has already been pushed to a point where it is not only socially unacceptable, but could even tilt the economy towards recession. For example, the Australian Democrats, the largest of the minor parties holding the balance of power in parliament's upper house, think that cuts of A\$4bn-A\$5bn over two to three years would be wiser.

In truth, the accuracy of these different viewpoints will depend largely on how the business sector responds to the new economic environment. Treasury forecasts suggest that the economy will grow at around 3.5 per cent in 1996-97, although they also predict that the current account deficit will remain at about A\$20bn (or four per cent of GDP) and unemployment at an ugly 8.25 per cent.

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Henry Marchant (1741-1796)

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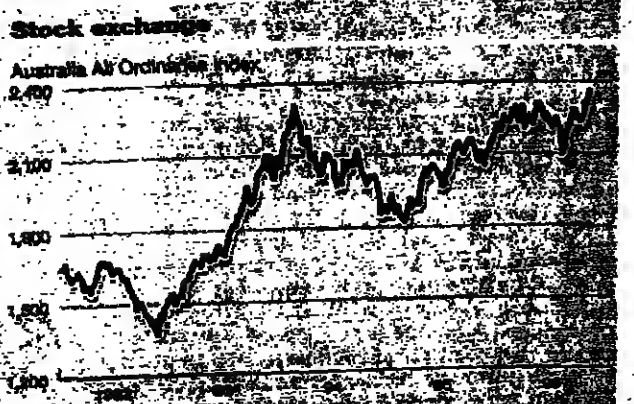
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Hill Winterthur  
Financial Adviser to merger of CE Health and CIC

For more information, contact Mike Perry, Sydney (412 957 2000)  
or Richard Smith, Sydney (412 957 0900)

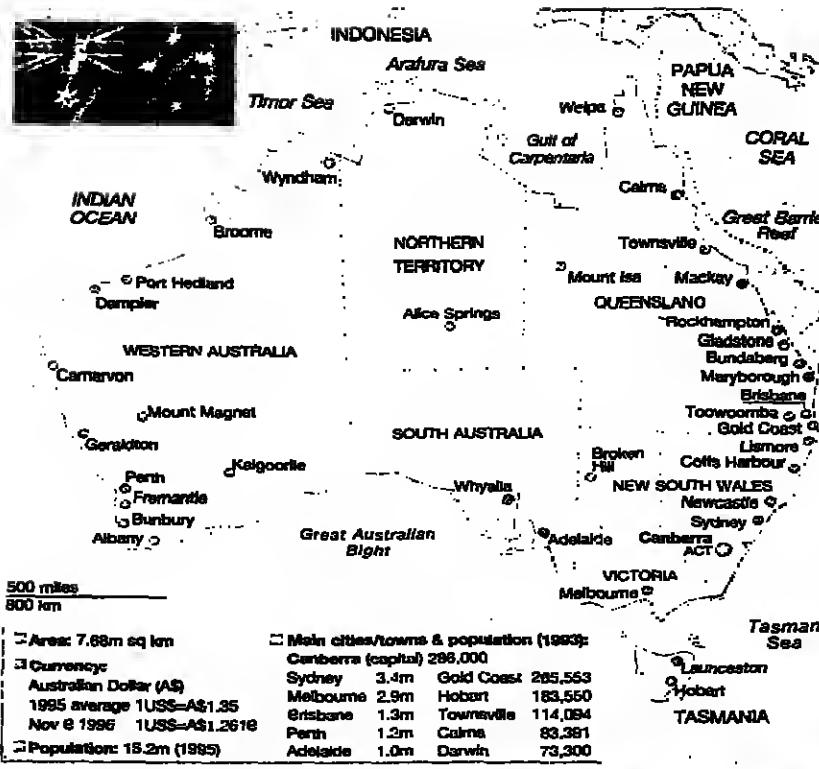
HAMBROS  
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IV AUSTRALIA



**Economic summary**

	1994	1995
Total GDP (AS\$bn)	347.4	347.4
Real GDP growth (annual % change)	2.8 <sup>a</sup>	3.0
GDP per head (AS\$)	19,240	19,240
Consumer price inflation (annual % change)	2.5 <sup>a</sup>	4.6
Reserves, excluding gold (AS\$bn)	11.3	11.8
Total foreign debt (\$bn)	183.4	171.9
Exports (AS\$bn)	48.9	52.5
Imports (AS\$bn)	50.1	57.0
Balance of trade (AS\$bn)	-1.2	-4.5
Current account balance (AS\$bn)	-17.5	-18.8
Wool ('000 tonnes)	726.8	615.6
Cattle and calves (m)	0.2 <sup>b</sup>	8.1 <sup>a</sup>
Sheep and lambs (m)	32.6 <sup>b</sup>	30.4 <sup>a</sup>
Black coal ('000 tonnes)	237.2 <sup>a</sup>	244.8 <sup>a</sup>
Brown coal ('000 tonnes)	50.8 <sup>a</sup>	51.3 <sup>a</sup>

<sup>a</sup>1991-95 figures <sup>b</sup>1993-94 figures <sup>c</sup>1994-95 figures <sup>d</sup>1995-96 provisional figures

The Commonwealth of Australia is a democratic federal state within the British Commonwealth. Executive power is vested in the government, who represents the Queen.

The legislature consists of a federal parliament comprising a 76-member Senate and a 148-member House of Representatives.

The Senate is directly elected by proportional representation for a six-year term, one half of the Senate retiring every three years. House of Representatives elections are held at maximum intervals of three years, when half the senators and all the representatives are elected by compulsory ballot.

The cabinet is headed by a prime minister appointed by the Governor-General on the basis of party strength in the House of Representatives. There is currently a Liberal/Prime Party coalition majority government.

Main political parties: Liberal Party, Labor Party, National Party, Australian Democrats Party.

Each of the six states in the federation has its own government, with a governor and a bicameral legislature, apart from Queensland, which has an unicameral legislature.

Last election: March 2 1996  
 Next election due: by end-May 1999

**Ministers**

Tim Fischer - Deputy prime minister/trade  
 Richard Alston (Communications, Arts), Ian McLachlan (Defence), Amanda Vanstone (Employment, Education, Training), Robert Hill (Environment, leader of the Senate), John Fahay (Finance), Alexander Downer (Foreign Affairs), Michael Woodroffe (Health, Family Services), Peter Reith (Industrial Relations, leader of the House), John Moore (Industry, Science, Tourism), John Anderson (Primary Industries, Energy), Jocelyn Newman (Social Security), John Sharp (Transport, Regional Development), Peter Costello (Treasury), Bernia Fraser (Reserve Bank Governor)

**International organisations**

AIOEC, ANZUS, APEC, Asian Development Bank (ADB), APTC, CCC, Colombo Plan (CP), Commonwealth, DAC, ELDO, ESCAP, GATT, FAO, IAEA, IATP, IBA, ICAC, ICAD, ICG, ICA, ICF, IEA, IFAD, IFDC, ILO, ILO, ILO, IMF, International Grain Council, International Lead Zinc Study Group, INPRO, INTELSTAT, INTERPOL, IOOC, IPU, IRC, ISO, ITC, ITTO, ITU, International Whaling Commission, IWS, OECD, South Pacific Agreement on Regional Trade and Economic Co-operation, South Pacific Commission, South Pacific Forum, UN, UNESCO, UPU, WHO, WIPO, WMO, World Bank, WSE, WTO.

**Business**

**Health precautions**  
 Mandatory vaccination certificates for yellow fever or cholera if travelling from an infected area.

**Credit cards**  
 Major international credit cards can be used for a wide range of goods and services in city and resort areas, but may be restricted elsewhere.

**Car hire**  
 Hire cars are widely available. Current overseas licences are recognised, but International Drivers Permits are recommended. The required third-party insurance is normally included in car hire charges. Use of seat belts is compulsory and speed limit in towns is generally 60km/h. Driving is on the left-hand side of the road. Trains have right of way.

**Public holidays**  
 In addition to official public holidays observed throughout Australia, extra statutory holidays are observed in individual states and the ACT: Jan 1 (New Year's Day), April 25 (Anzac Day), May 6 (May Day), December 25-26 (Christmas).

**Tourism (overseas visitors)**

Country	Passport requirements
Japan	Passports required by all.
Rest of Asia	Visa: Visas must be obtained before arrival by all except holders of Australian and New Zealand passports. Short-term visitors' visas may be obtained for stays up to six months.
New Zealand	Passports required by all.
Rest of Europe	Passports required by all.
Rest of World	Passports required by all.
US	Passports required by all.
UK/Ireland	Passports required by all.

**Working hours**  
 Late night shopping to 2100 in Sydney, Perth and Darwin on Thursday and in Melbourne, Brisbane, Hobart and Canberra on Friday.

**Government and business (Mon-Fri)**  
 0900-1700  
 Banking (Mon-Thu) 0900-1600 (Fri) 0900-1700.  
 Shops (Mon-Fri) 0900-1700 (Sat) 0900-1200.

**Telecommunications**  
 Telephone Dialling code for Australia, IDD access code + 61 followed by area code: 8 for Adelaide, 8 for Brisbane, 82 for Canberra, 89 for Darwin, 02 for Hobart, 3 for Melbourne, 9 for Perth, 2 for Sydney, 77 for Townsville followed by subscriber's number.

**Diplomatic commercial contacts**  
 Australian-German Chamber of Commerce: tel 612 9281 4184, fax 612 9287 8807; Brisbane tel 612 9247 7521, fax 612 9233 1828; Canberra tel 612 3364 3000, fax 612 3364 3025; France tel 612 9264 2711, fax 612 9264 5989; Italy tel 612 9392 7942, fax 612 252 4830; Japan tel 612 9241 1181, fax 612 9251 7931; US tel 612 9373 9200, fax 612 9221 0678.

■ Aviation: by Bruce Jacques  
**New flight pattern**

**Changes in company ownership and airport sell-offs top the list**

Australian aviation is passing through a phase of fundamental structural change brought on by the twin rigours of international competition and domestic budgetary constraint.

None of the industry's main components has been spared. By the turn of the century, a business that was initiated and nurtured for decades by government looks like becoming one of the country's largest private investment sectors.

Spurred by an air traffic explosion in emerging Asia-Pacific countries, and the promise of a tourist rush for the Sydney Olympic Games in 2000, the industry has already attracted large quantities of private funding.

The nation's two leading carriers - Qantas and Ansett - have undergone ownership changes which have raised thorny issues of foreign control. And the government has begun putting the nation's metropolitan airports up for sale, attracting bids from many of the world's leading aviation players in a process expected to raise over A\$5bn in the next half decade.

The seed of these changes was sown through a decision by the former Labor government in the late 1980s to abolish the country's long-standing two airline policy. That had engendered a clubbish culture and allowed the two domestic carriers to operate co-operatively rather than competitively.

Consumers were the losers, but no longer. Fare discounting has been forced on the industry by heightened consumer expectations following two failed attempts to launch a third domestic airline. The stripped-of-revenue streams which had been virtually guaranteed for decades, both carriers have sought alliances with leading overseas rivals.

Qantas moved decisively on this front ahead of its privatisation in 1996. It took on British Airways as a 25 per cent shareholder with a strategy of co-operation and cost-sharing on the so-called Kangaroo routes between Europe to Australia.

British Airways already had a strong voice in Qantas' affairs, with board representation, before the Australian government floated its remaining 75 per cent of the airline in 1994-95.

Public concerns had already been raised about the level of foreign influence in Qantas, regarded as an icon by many Australians. That prompted the government to pass legislation restricting foreign ownership to a maximum 49 per cent.

But the system has proved unworkable, and the airline has been in breach of this limit for much of its listed life. Sensitivities also surround Ansett following this year's A\$325m purchase of a 50 per cent equity stake in the company by Air New Zealand. The other 50 per cent shareholder is Mr Rupert Murdoch's News Corporation.

Air New Zealand bought its Ansett stake from TNT, the Australian transport group currently subject to a A\$2bn takeover bid by the Dutch postal and telecoms company, KPN. The Ansett sale process was drawn out over 18 months and caused considerable acrimony among the parties, not least between the Australian and New Zealand governments.

One of the chief sticking points in the deal was an eleventh-hour backflip by the Australian government on an agreement to relax restrictions on Australia-New Zealand air routes.

The decision, which marked a low point in Australia-New Zealand relations, appeared to have been made to preserve the value of the Qantas float. The trans-Tasman airline agreement has since been reinstated by Australia's new coalition government, but the Ansett-Air New Zealand deal is still bogged down by bureaucracy.

In an attempt to preserve competition, Australian and New Zealand authorities have effectively forced Ansett to split into three airlines - its New Zealand operations are now wholly-owned by News Corporation and the company has been forced to seek new investors to take a half share in its international division.

This may crimp, at least initially, the capability of the new alliance to provide strong competition for Qantas. The company now at last believes it has overcome problems with its executive structure following a minor coup in poaching the former managing director of rival Cathay Pacific, Mr Rod Eddington, as Ansett's new chief executive.

Meanwhile, the next phase in the battle for Australia air supremacy looks like being fought out on tarmac controlled, for the first time in Australia, by private investors. Bidders have already been shortlisted for three of the country's 22 main airports, currently administered by the government-controlled Federal Airports Corporation.

The initial offering, involving the Melbourne, Perth and Brisbane airports, is likely to be followed next year by another package including Sydney, widely regarded as the investment "jewel", especially with the Olympic Games looming.

Large Australian companies including the AMP Society, National Mutual, Leas, the Commonwealth Bank, Westfield and Brambles are part of the bidding consortia. Most have linked with experienced overseas transport and airport groups including Lockheed, BAA, Massachusetts Port Authority and the operators of Schiphol, Manchester and Vienna airports.

It is believed about a dozen consortia have been invited to sign confidentiality agreements with the airports before lodging final bids by January 31 next year.

Analysts estimate that the three airport sales will probably earn the government about \$2bn. Sydney airport is expected to raise this amount by itself.

■ Olympic Games: by Nikki Tait  
**Not all for going for gold**

**After the Atlanta games, the private-enterprise enthusiasts must be reined in**

"Let it rip," declared Mr Bob Carr, premier of New South Wales, as the first sod was turned at the site of the new Olympic Stadium a few weeks ago. It was the voice of enthusiasm in the face of what will almost certainly be considerable adversity as Sydney's preparations for hosting the Olympic Games in the year 2000 get under way in earnest.

Many Sydneysiders still seem to have a genuine relish for the event. When the Olympic flag was brought back from Atlanta and marched in fairly low-key fashion from Circular Quay to the nearby Town Hall, thousands of eager office workers turned out to watch. A subsequent ticker-tape parade for returning athletes attracted a crowd of 100,000.

Businesses, too, remain enthusiastic over the likely economic stimulus. Studies have claimed that the games will inject around A\$7.5bn into the local economy in the period between 1991 and 2004, and create over 150,000 full or part-time jobs.

But, from the outset, this relish was mingled with concern over how the city would cope - and much-vaunted transport and security problems faced by Atlanta have done nothing to eradicate such reservations.

Also compounding the organisers' task is the "Green Games" tag. When pitching for the games, Sydney's bid emphasised environmental credentials, and even coralled support from Greenpeace, the international organisation.

Now, as the construction and financial pressures build, these much-vaunted standards seem certain to provoke controversy. Last month environmental activists staged protest action at the main development site, ripping out PVC piping which they deem harmful.

To date, much of the focus in Sydney has been on the personalities in charge of the Games. The Sydney Organising Committee for the Olympic Games (SOCOG) has had problems finding a suitable chief executive, with a couple of targeted candidates backing out at the last minute as private sector employers bid to keep them.

More recently, the post of SOCOG has become uncomfortably fluid, with three individuals filling the job in six months. The final resolution involved Mr Michael Knight, state government minister with responsibility for the games, taking on the role. This, said officials, provided the closest possible link between the games' financial underwriter - the state government - and the organisers.

But as the timetable becomes more urgent, attention is likely to shift to the physical infrastructure itself. Sporting facilities will be split mainly between the Darling Harbour area in the city's centre, and the Homebush Bay site, about 10km to the west. The bulk of the construction is taking place at the latter, an old industrial area on the banks of the Parramatta River.

Some facilities - like the aquatic centre - are already constructed and in use, and are making the area a curious mix of spanking new buildings and unsightly earthworks. After some delays and legal wrangling, the main A\$600m stadium contract has finally been let to a consortium headed by Australia's Multiplex, Japan's Obayashi, and with financial advice from Macquarie Bank and Hambros.

In an innovative move, the consortium plans to partly fund construction through an issue of securities which will give holders the right to a stadium ticket during the games. Advisers admit that pricing was not an easy issue, and the reception which the issue gets - allocations are likely to be announced soon - may yet provide games organisers with some insights into how to handle ticket policy generally.

The big outstanding contract is for the Olympic Village, worth around A\$750m in total. Two groups are in the running, a consortium led by Lead Lease and Mirvac, two Australian groups, and a syndicate made up of the Stockland and Walker property group, plus South Korea's Daewoo and Macquarie Bank. A decision is due before the year's end.

But already there are some worries that the building programme at Homebush, coupled with increasing private sector construction activity generally, could push up costs as the market tightens and lead to shortages of specialist skills.

The direct Olympics-related work has been estimated to be worth around A\$2.5bn over the next four years. Admittedly, many big builders say that they have been working at less than capacity until recently. Nevertheless, the number of cranes littering Sydney's skyline is now multiplying at an impressive rate.

Transport, meanwhile, remains a separate bugbear. Sydney airport is already beset by noise problems and delays, and an 80 movements-per-hour cap has been imposed. Plans to build a second airport to the west of the city cannot be realised in time. Similarly fraught are the logistics of moving large numbers of people from residential areas on the North Shore of in Eastern Sydney to Homebush Bay. From the outset, Olympic organisers have put heavy emphasis on public transport, with a new rail loop to Homebush due to carry up to 50,000 people an hour.

Within weeks of the Atlanta games ending, a A\$600m "eastern distributor" - to help traffic flows crossing from the North Shore circumvent the city - won the green light, and a transport "summit" has been held. Even so, Mr Carr says that this remains one of the stickiest problems confronting organisers.

The financial implications of the games, meanwhile, have yet to become clear. The original SOCOG bid talked of a A\$1.87bn budget (in 1992 dollars). The cost was to be met independently of government, through the sale of television rights, sponsorship, and ticket sales. In fact, there was even talk of a small surplus. So far, this appears to be well on track, thanks largely to some better-than-expected TV rights deals.

However, the SOCOG budget, which officially covers the organising of the Games, excludes many building costs. Almost inevitably, these have tended to rise beyond the original budget - not least because of project enhancements, such as the burying of power lines, and additional investment in the rail link to Homebush Bay.

Mr Carr has been attempting to soothe local concerns on this score. "We will be paying [for the games] with 1.4 to 1.5 per cent of government expenditure over the next four to five years," he said, recently. "Atlanta was a private sector games - we may not be that far removed."

Nevertheless, cognizant perhaps of Atlanta's experience, the organisers have also been trying to dampen down the more extreme private-sector optimism over the games' impact. "The Olympics fit the state's economic development structure - the Olympics are the icing on the cake," says Mr Carr. "It would be foolish to say they're an economic bonanza, or that they'll solve our economic problems. But if other things are going for us... the Olympics can only help."



An image of the Sydney 2000 Olympic Stadium. © High Level

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FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various offshore funds under the Bermuda (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

BERMUDA (REGULATED)

Table listing various offshore funds under the Bermuda (REGULATED) category, including fund names, managers, and performance metrics.

GUERNSEY (SIB RECOGNISED)

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GUERNSEY (REGULATED)

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IRELAND (SIB RECOGNISED)

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IRELAND (REGULATED)

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ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)

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ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)

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MINI REUTERS MAXIMUM DATA advertisement featuring a computer monitor displaying data and text describing the service's capabilities.

ISLE OF MAN (SIB RECOGNISED)

Table listing various offshore funds under the Isle of Man (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

ISLE OF MAN (REGULATED)

Table listing various offshore funds under the Isle of Man (REGULATED) category, including fund names, managers, and performance metrics.

JERSEY (SIB RECOGNISED)

Table listing various offshore funds under the Jersey (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

JERSEY (REGULATED)

Table listing various offshore funds under the Jersey (REGULATED) category, including fund names, managers, and performance metrics.



Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cyteline Unit Trust Prices are available over the telephone. Call the FT Cyteline Help Desk on (444 171) 873 4378 for more details.

LUXEMBOURG (SIS RECOGNISED)

Main table containing fund names, ISIN codes, and performance metrics. Includes sub-sections for Luxembourg (SIS RECOGNISED) and Luxembourg (REGULATED\*\*).

OFFSHORE INSURANCES

Table listing offshore insurance companies and their details, including names, ISIN codes, and performance metrics.



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Offshore Insurances and Other Funds

FT Cyteline Unit Trust Prices are available over the telephone. Call the FT Cyteline Help Desk on (444 171) 873 4378 for more details.

Table of fund prices and performance metrics for various international and domestic funds, including columns for fund name, price, and change.

Table of fund prices and performance metrics for various international and domestic funds, including columns for fund name, price, and change.

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Advertisement for Imperial Cancer Research Fund featuring a photograph of a woman and the text 'Every day, we help thousands of people like Zoe fight cancer.'

Form for donating to the Imperial Cancer Research Fund, including fields for name, address, and donation amount.

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES







LONDON SHARE SERVICE

INV. TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for name, price, and change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for name, price, and change.

INVESTMENT COMPANIES

Table listing investment companies with columns for name, price, and change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for name, price, and change.

LIFE ASSURANCE

Table listing life assurance companies with columns for name, price, and change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for name, price, and change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for name, price, and change.

OTHER FINANCIAL

Table listing other financial companies with columns for name, price, and change.

PAPER, PACKAGING & PRINTING - Cont.

Table listing paper, packaging, and printing companies with columns for name, price, and change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for name, price, and change.

PROPERTY

Table listing property companies with columns for name, price, and change.

PROPERTY - Cont.

Table listing property companies with columns for name, price, and change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for name, price, and change.

RETAILERS, FOOD

Table listing retailers and food companies with columns for name, price, and change.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and change.

RETAILERS, FOOD - Cont.

Table listing food retailers with columns for name, price, and change.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and change.

SUPPORT SERVICES

Table listing support services companies with columns for name, price, and change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for name, price, and change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for name, price, and change.

TOBACCO

Table listing tobacco companies with columns for name, price, and change.

TRANSPORT

Table listing transport companies with columns for name, price, and change.

WATER

Table listing water companies with columns for name, price, and change.

AIM

Table listing companies on the Alternative Investment Market (AIM) with columns for name, price, and change.

AMERICANS

Table listing American companies with columns for name, price, and change.

CANADIANS

Table listing Canadian companies with columns for name, price, and change.

SOUTH AFRICANS

Table listing South African companies with columns for name, price, and change.

AMERICANS

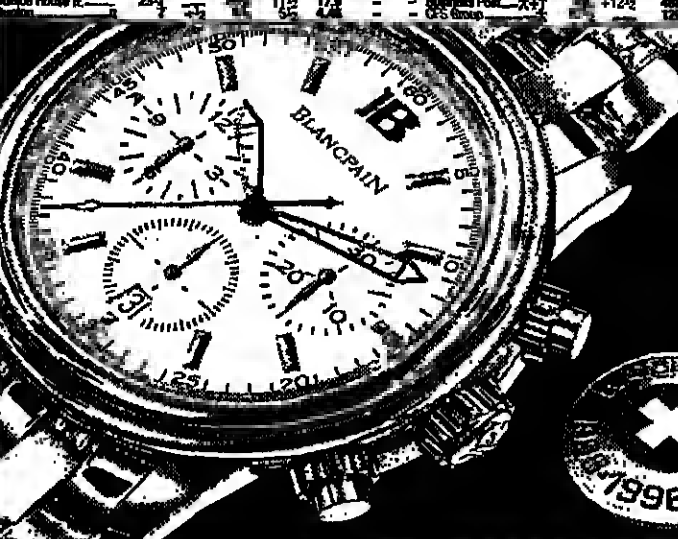
Table listing American companies with columns for name, price, and change.

CANADIANS

Table listing Canadian companies with columns for name, price, and change.

SOUTH AFRICANS

Table listing South African companies with columns for name, price, and change.



GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are derived by Data, part of Financial Times Information. Company classifications are based on those used for the FTSE Active Share Index. Data and prices are shown in pence unless otherwise stated. Rights and lots are based on last-day bid prices on a rolling 20-week period. Dividends are shown in pence unless otherwise stated. Dividends are shown in pence unless otherwise stated. Dividends are shown in pence unless otherwise stated.



LONDON STOCK EXCHANGE

Shares fall despite store sector bid rumours

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The equity market's three-day rally petered out yesterday as fears of mounting inflationary pressures...

It-taking. The Dow Jones Industrial Average has surged 245 points, or 4 per cent, since the start of November...

from many retailers, which progressed after strong rumours of a substantial bid this morning.

level for five years. Such evidence of a strong economy was accompanied by news that unit labour costs in the September quarter had risen by an annualised 5.2 per cent...

of investment trusts into banks and insurance stocks. But the big upturn in volume occurred minutes before the close with dealers noting a series of exceptionally big trades in Lloyds, Hanson, British Gas and Cookson...

Takeover flurry at Fraser

By Lisa Wood, Peter John and Joel Kibazo

As the market closed, the whiff of a takeover in the retail sector spread through the market with House of Fraser cited as the target of an attack - possibly today.

The company has been seen as ailing and vulnerable for some time. Only a month ago it revealed plans to close up to 10 stores and announced a restructuring charge of up to £50m...

Consequently, although rumours have appeared before, they strengthened yesterday with some analysts being pointedly unavailable and dealers talking about a big rights issue and offer this morning.

Retail analysts have previously considered Burton as the traditional aggressor, but yesterday Storehouse was being mooted as a strong candidate, followed by Sears.

The upshot was that House of Fraser was the best performer on the FTSE 250 index, climbing 8 to 14 1/4p. Storehouse weakened 5 to 27 1/4p and Burton fell 1 1/2 to 89p on trade of 10m.

There were also whispers that Great Universal Stores might spin off its Burberry business, with a likely price

tag of £1bn. GUS fell 5 to 590 1/2p.

Huge turnover in the shares of some industrial and utility groups, which have recently seen price weakness, appeared on trading screens late in the day.

Hanson, British Gas, Cookson and Lloyds all saw exceptional volume. Hanson was the most heavily traded with large blocks of stock going through the market at 7 1/4p a share taking the volume to 71m shares. It was closely followed by Gas at 61m shares.

Initial thoughts focused on bed and breakfast trades, whereby investors sell late in the day and buy back at the start of the following day to establish a tax loss.

However, there were also suggestions that one of the leading US brokers might be unwinding a huge over-the-counter option trade aimed at stripping out dividends.

The stocks involved have all been heavily sold over recent months and offer surprisingly high yields. Hanson was steady at 79 1/4p, Gas jumped 6 to 198 1/4p on the back of two imminent broker recommendations, one from UBS and another - due today - from a second leading broker, Cookson added a penny at 223 1/2p with 22m shares traded and Lloyds eased 1 1/2 to 13 1/4p with 14m shares dealt.

Bullish remarks coming out of New York combined with a broker recommendation gave a lift to Lasmo making the shares the best performer in the Footsie. Mr Joe Darby, chief executive of the oil exploration

and production company, said he expected Lasmo to achieve its stated production target of approximately 200,000 barrels per day, an increase of some 12 per cent over the expected output for 1996.

His comments, made at a conference to investors hosted by Goldman Sachs, added lustre to an enthusiastic note from Kleinwort Benson, which reiterated its buy stance.

Kleinwort argued that the shares should be on a 15 per cent premium to net asset value which the broker calculates at 200p a share. The shares lifted 8 1/2, or more than 4 per cent, to 210p.

East Midlands Electricity managed to persuade Dominion Resources of the US to part with 670p a share for the regional electricity group, but the news of the agreed bid hardly set the sector alight. East Midlands shares moved up only 1 1/2 to 62 1/2p while Northern Electricity, which is the subject of a £30p a share offer from CalEnergy of the US, fell 15 to 58 1/2p.

The weakness acknowledges the possibility of a referral by industry secretary Mr Ian Lang to the Monopolies and Mergers Commission. A two-way pull in British Telecom made it one of the busiest trades of the day. Turnover at the close stood at 21m with the shares having improved 1 1/2 to 380 1/2p, helped by a broker's change of recommendation.

The group unveils second-quarter figures today and analysts expect BT to report profits of between £580m and

£585m. NatWest Securities yesterday upgraded its stance on the stock from "hold" to "add" and analysts at the broker said: "Undoubtedly, the proposed acquisition of MCI is a major move for BT. However, are the shares worth the price of a long-awaited, often-predicted, major move? Our view is that a move will occur, not major, but certainly significant."

The securities house also suggests "a less aggressive investment approach may be appropriate in the future". Profit-taking marked the rest of the sector. Cable & Wireless eased 3 1/2 to 47 1/4p, in trade of 8.7m while Vodafone Group closed a penny lower at 238 1/2p.

Vendome fell 16 to 54 1/4p, with ABN-AMRO Hoare Govett reported to have edged down its forecast because of the strength of sterling and the weakness of the yen.

Zeneca was an early riser as the market got wind of positive comment about one of its products. A Swedish newspaper published details of a study relating to a cocktail made up of acrolein, Zeneca's anti-asthma product, and a Scheerling Plough product. Zeneca shares lifted 4 1/2 to 165 1/2p.

Ladbroke strengthened 2 1/2 to 198 1/2p ahead of today's trading session. Regent Inns gained 13 to 286 1/2p after a punchy annual meeting session.

ROX shed 10 to 84 1/2p on concern about the impact of sterling's recent strength on the chemical group's earnings and as analysts downgraded forecasts. SBC Warburg cut current year forecasts to £421m from £438m while maintaining the stock's "hold" rating. Next year's profit forecasts were shaved to £424m from £428m. Unilever weakened 2 to

136 1/2p with SGT recommending profit-taking. Shares in LucasVarley fell 6 1/2 to 238 1/2p, having traded 4.4m by the close. There was talk of a sizeable downgrade, while dealers suggested US interest in the stock had faded in recent sessions. Sentiment was weakened by concerns about the slowing growth in the European automotive sector.

Smiths Industries was in demand ahead of last night's dinner for institutions hosted by Henderson Crosthwaite. The shares appreciated 7 1/2 to 79 1/2p.

British Aerospace was in favour and the shares gained 8 to 115 1/2p. Dealers suggested there had been a big seller at the session end.

FT 30 INDEX

Table with columns: Nov 13, Nov 12, Nov 11, Nov 10, Nov 9, Nov 8, Nov 7, Yr ago, High, Low. Rows include FT 30, Div. yield, P/E ratio, etc.

Table with columns: Nov 13, Nov 12, Nov 11, Nov 10, Nov 9, Nov 8, Nov 7, Yr ago, High, Low. Rows include FT 30 hourly changes, SEAO targets, Equity turnover, etc.

Table with columns: Nov 13, Nov 12, Nov 11, Nov 10, Nov 9, Nov 8, Nov 7, Yr ago, High, Low. Rows include FTSE AIM, FTSE International, etc.

Table with columns: Nov 13, Nov 12, Nov 11, Nov 10, Nov 9, Nov 8, Nov 7, Yr ago, High, Low. Rows include FTSE 100, FTSE 250, FTSE 350, etc.

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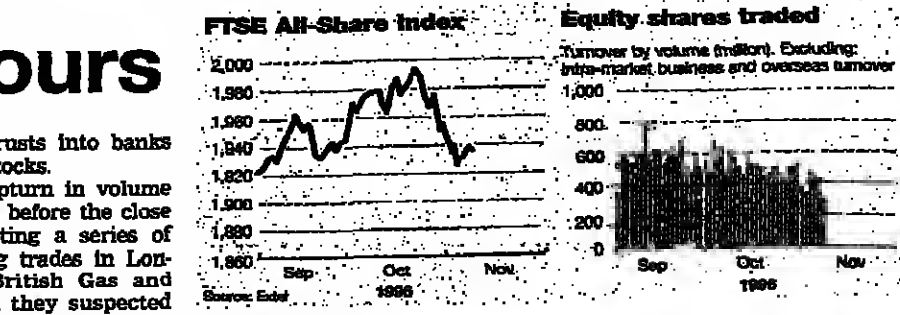


Table titled 'Indices and ratios' showing FTSE 100, FTSE 250, FTSE 350, FTSE All-Share, and FT 30 with their respective values and changes.

Table titled 'Best performing sectors' listing sectors like Gas Distribution, Oil Exploration, and Extractive Industries with their percentage changes.

Table titled 'Worst performing sectors' listing sectors like Building Mat & Materials, Oil, and Engineering with their percentage changes.

Table titled 'FUTURES AND OPTIONS' showing FTSE 100 INDEX FUTURES and FTSE 100 INDEX OPTION with prices and changes.

Table titled 'LONDON RECENT ISSUES: EQUITIES' listing various companies like B&A, Cable & Wireless, and their share prices.

Table titled 'FT GOLD MINES INDEX' showing gold mine share prices and their changes.

Table titled 'FTSE Actuaries Share Indices' showing various industry sector indices and their values.

Table titled 'FTSE Actuaries Industry Sectors' showing detailed data for various industry sectors like Mining, Chemicals, and Electronics.

Table titled 'Hourly movements' showing the movement of the FTSE 100 index throughout the day.

Table titled 'FTSE 350 Industry baskets' showing performance metrics for different industry baskets.

Table titled 'Spread betting on over eight markets' showing data for various markets like City Index and FTSE 100.

Table titled 'Petroleum Argus European Natural Gas Report' providing data on natural gas prices and volumes.

FTSE INTERNATIONAL logo and contact information.

Asia-Pacific advertisement for FT Surveys, featuring a large 'Asia-Pacific' text and contact details for Jonny Middleton and Brigitte McAllinden.

Quality Service advertisement for currency exchange, offering low rates and fast service.

Offshore Companies advertisement listing various offshore financial services and companies.

Linco advertisement for futures and options trading, featuring the Linco logo and contact information.

Union Limited advertisement for futures and options trading, offering 24-hour service.

Berkeley Futures Limited advertisement for futures and options trading, located at 38 Dover Street.

FAST 64 KBIT SATELLITE TECHNOLOGY advertisement for real-time data services.

KNIGHT-RIDDER'S FUTURES MARKET DATA FROM \$570 advertisement for market data services.

WANT TO KNOW A SECRET? advertisement for financial advice and services.

SHARES - TAX FREE advertisement for investment services, offering a 0-17% tax rate.

Quality Service advertisement for currency exchange, offering low rates and fast service.

Signal advertisement for financial services, offering real-time quotes and news.



Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

Table of world stock markets including sections for EUROPE (Austria, Greece, Italy, Norway, Portugal, Spain, Switzerland), PACIFIC (Japan, Korea, Taiwan, Thailand), and AFRICA (South Africa).

In Europe's crowded skies, Rockwell Avionics plays a key role in promoting safety and efficiency.



Table of stock market data for EUROPE, including Austria, Greece, Italy, Norway, Portugal, Spain, and Switzerland.

Table of stock market data for PACIFIC, including Japan, Korea, Taiwan, and Thailand.

Table of stock market data for AFRICA, including South Africa.

Table of stock market data for SOUTH AMERICA, including Argentina, Brazil, Chile, Colombia, and Peru.

Table of stock market data for INDICES, including various regional and global indices.

Table of stock market data for US INDICES, including Dow Jones, S&P 500, and other US market indicators.

Table of stock market data for AUSTRALIA, including various Australian market indicators.

Table of stock market data for SOUTH AMERICA, including Argentina, Brazil, Chile, Colombia, and Peru.

Table of stock market data for INDEX FUTURES, including various futures contracts.

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Footnote and disclaimer text at the bottom of the page, including copyright information and a note about the FT Live Annual Reports Service.



NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, change, and volume. Includes sub-sections for Market Dynamics and various stock categories.

Market Dynamics
If the business decisions are yours, the computer system should be ours.
http://www.hp.com/computing
HEWLETT RACKARD

Continued on next page



NYSE PRICES

NASDAQ NATIONAL MARKET

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for FT 500 Annual Reports Service and AMEX PRICES.

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for FT 500 Annual Reports Service and AMEX PRICES.

Table of AMEX stock prices including columns for stock name, price, change, and volume.

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Table of AMEX stock prices including columns for stock name, price, change, and volume.



US shares dip after Frankfurt advances to fresh peak dull start for bonds

AMERICAS

US shares were mixed at mid-session as good corporate news helped bolster the technology sector while other areas fell victim to a weaker bond market and some profit-taking.

Tuesday, Dell said that third-quarter earnings were \$1.52 a share, well above the \$1.15 analysts had expected. In early trading shares were \$4 stronger at \$97.

analysts' estimates. The retailer said it made 28 cents a share in the last quarter, 22 cents below the median expectation.

EUROPE

Shares in FRANKFURT surged further into record territory riding high on the back of strong corporate news and a multitude of broker buy notes.

After Tuesday's excitement for the insurance sector, the takeover talk turned to the banks where CCF was up almost 1 per cent at one stage before closing FFr5.10 ahead at FFr248.8.

FTSE Actuaries Share Indices

Table with columns: Hourly changes, Nov 13, Nov 12, Nov 11, Nov 8, Nov 7, Nov 6. Rows include FTSE Actuaries 100, FTSE Actuaries 200, FTSE Actuaries 300, FTSE Actuaries 400, FTSE Actuaries 500, FTSE Actuaries 600, FTSE Actuaries 700, FTSE Actuaries 800, FTSE Actuaries 900, FTSE Actuaries 1000.

Olivetti added L13 to L508.7 after its announcement that net debt at the end of September was little changed at L2.41bn.

S Africa lower despite solid gold

In spite of solid results from South African Breweries and another resilient showing from gold shares, Johannesburg moved lower with the overall index dipping 7.3 to 6,755.3.

mid-morning. At the close, the industrial index was off 18.1 at 7,914.1. Gold shares added 10.3 to 1,711.9.

SA Breweries nine-month numbers were ahead of analysts' estimates, but at the close the shares were off 50 cents at R115.25.

Kloof put on R1.25 to R43, but Loraine came off 20 cents to R14.70.

ASIA PACIFIC

Signs of revived buying interest among foreign investors failed to lift TOKYO which slipped below the 21,000-point line for the first time in a week on profit-taking, particularly in semiconductor-related issues.

The Nikkei 225 average tumbled 226.99 to 20,979.44 after moving between 20,923.24 and 21,229.38. Gains early in the day were cancelled out by heavy selling, particularly among securities holdings which unloaded long positions in cash stocks

Industrial Bank of Japan slid Y10 to Y2,280, Fuji Bank Y20 to Y2,040 and Mitsubishi Trust and Banking Y20 to Y1,740.

WELLINGTON closed higher with NZ Telecom active ahead of today's interim results. The 40 capital index ended up 17.14 at 2,342.94.

KARACHI surged above the 1,500 level as IMF officials arrived in Pakistan for talks on reactivating a \$600m standby loan. The 100-share index jumped 22.63 to 20,979.44.

Nikkei weak as Bangkok jumps 2.7%

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EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Table with columns: Market, No. of stocks, Dollar terms (Nov 13, Nov 12, Nov 11, Nov 8, Nov 7, Nov 6), Local currency terms (Nov 13, Nov 12, Nov 11, Nov 8, Nov 7, Nov 6). Rows include Latin America, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela, Asia, China, South Korea, Philippines, Taiwan, China, India, Indonesia, Malaysia, Pakistan, Sri Lanka, Thailand, Euro/Mid East, Czech Rep, Greece, Hungary, Jordan, Poland, Portugal, South Africa, Turkey, Zimbabwe, Composite.

Trading resumed yesterday in Athens after a three-day stoppage, but shock waves still echoed from the failure of the banking group, Delta Securities, writes Korrin Hooper.

FT/S&P ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND REGIONAL MARKETS, Figures in parentheses show number of lines of stock, Tuesday November 12 1996, Monday November 11 1996, DOLLAR INDEX. Rows include Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, Indonesia, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Philippines, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom, USA, Americas, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. UK, World Ex. Japan.

COMMERCIAL UNION

RESULTS - 9 MONTHS 1996

Operating profit £348m

- Life profits up 11% to £178m.
- New life and savings business 23% higher.
- Strong profit growth from France and the Netherlands.
- Increase of £62m in US and UK weather claims.

John Carter, Chief Executive, commenting on the results said: "A strong third quarter result led to a good underlying performance at the nine months stage, with increased profits being achieved in France and the Netherlands. Life operations continued to make good progress with strong growth in new business."

9 months 1996 Unaudited Total premium income: £6,585m

9 months 1995 Unaudited Total premium income: £6,356m

Operating profit before taxation: £348m

Profit on ordinary activities before taxation: £457m

Profit attributable to shareholders: £297m

Share earnings per ordinary share: 33.1p

Shareholders' funds: £4,145m

Commercial Union plc, St Helen's, 1 Undershaft, London, EC3P 3DQ

Internet: http://www.commercial-union.co.uk/cu